The NATIONAL UNDERWRITER

Published weekly at 175 W. Jackson Blvd., Chicago 4, Illinois. Second class postage paid at Chicago.

The National Weekly Newspaper of Fire and Casualty Insurance

30¢ a copy
$7.50 a year

September 23, 1960
64th Year, No. 39

Minn. Agents Score 'Super Market' And Mail Order Selling

Would Downgrade Insurance, Minneapolis Annual Told; G. L. Hewitt New President

MINNEAPOLIS—Mail order and "super market" insurance received major attention at the annual convention here of Minnesota Assn. of Independent Insurance Agents. While not the best-attended meeting the asso-

J. L. Hewett

Carl H. Johnson

ciation has held—registration was about 300—it was one of the most dynamic, and it held the interest of agents right down to the closing gavel.

Gordon L. Hewitt of Dorset (population 40) was elected president, succeeding Carl H. Johnson, Minneapolis. Mr. Hewitt is the son of Colby R. Hewitt, president in 1949, and a cousin of M. A. Hewitt, executive secretary and treasurer of the association. New vice-president is Merald T. Enstad, Fergus Falls, and Roger Hennessy, Excelsior, and James Fisher, Duluth, were elected directors.

"Super market selling" of insurance policies is a trend that, if permitted to continue, could downgrade the entire field of insurance, Carl H. Johnson,

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Two Plane Mishaps Cost $2,425,000

The American Airlines Lockheed jet prop Electra which crashed and burned landing at La Guardia Airport, New York, was insured in Associated Aviation Underwriters. The hull was valued at approximately $2,125,000. Associated also insured a Braniff Airlines DC-7C which was damaged during repairs at Dallas. The loss was estimated at $300,000.

The Electra was landing at La Guardia on a flight from Boston when the plane, apparently caught in a downdraft, struck a dike and overturned near the runway. All 76 persons on board escaped alive. The cause of the crash reportedly was unrelated to the structural problems which have led Lockheed to undertake a $25 million strengthening job on the 130 Electras now in use.

The Braniff plane was undergoing repairs at Dallas when it went out of control on the ground and crashed into a hangar. The nose section, two engines and two propellors were damaged.

$150 Million Donna Well Spread Over Entire Industry

The estimate of $150 million insurance loss from Hurricane Donna continues to stand up as the losses come in. The number of losses may go over 500,000 because of the very great many automobile, mobile home, and boat losses all along the course of the storm from the southern end of Florida to the northern tip of Maine.

Hurricane Ethel, which blew up in the Gulf of Mexico, struck a cold front at sea which reduced her winds to 50 miles an hour before she went inland over the Mississippi and Alabama coasts. However, this storm produced 7,000 losses which will average $200 apiece and cost the insurers $1.4 million. Hardest hit were the Gulfport and Pascagoula, Miss., areas. General Adjustment Bureau has opened a storm office at Gulfport.

$25 Million Loss At Fort Myers

Fort Myers, Fla., according to adjusters, will produce losses totaling more than $25 million under EC and auto PHD. Trailer and boat losses will add substantially to that total since they were heavy in number and damage. Many trailers, some of them worth $10,000 or more, were washed out to sea.

The damage here and in surrounding towns will run the original estimate of $10 million for the entire state of Florida closer to $71 million. Illustrative of the damage is Lehigh Acres near Fort Myers where 110 homes lost their roofs. At Immokalee 80% of the buildings, home and commercial, were damaged. Punta Gorda had 16 dwellings totally destroyed and 300 more damaged. At Naples the so-called "Millionaire's Row" of mansions was

(CONTINUED ON PAGE 32)

Ohio Fire Prevention Assn. Becomes A Field Club Committee

A proposal of Ohio Fire Prevention Assn. that it merge into Ohio Capital Stock Insurance Assn. was accepted by a unanimous vote at the fall meeting of the field men in Cincinnati. There were 75 in attendance.

The merger follows a recommendation of Insurance Information Institute that there be only one field organization in each of the states in the middlewest. Howard Dobbs, Crum & Forster, president of the fire prevention association, will become chairman of the fire prevention committee of Ohio Capital Stock Insurance Assn.

Ohio is the first state to follow the III recommendation, but it is expected that similar action will be taken throughout the territory.

A report on the midwest field conference of III was given by Bruce Patterson, Royal. Walter G. Dithmer, midwest regional director of III, spoke on current developments.

Charitable Immunity, Wrongful Death Acts Upset In Michigan

Michigan supreme court last week did away with the charitable immunity of hospitals and took the ceiling off the wrongful death act as applied to minors.

In a 4 to 3 decision in Parker vs Port Huron Hospital, the court overturned the charitable immunity rule which has applied for 66 years. A $20,000 damage award of the county circuit court was upheld and the supreme court said "from this day, Sept. 15, henceforth, this opinion will apply to all future cases of action arising."

Parker's wife was given a mismatching blood transfusion during the course of an operation and she died. The damage award was made by a jury and the trial judge refused to set it aside despite the weight of earlier supreme court holdings.

Justice Thomas Kavanagh wrote the majority opinion. He said the old rule exempting charitable institutions from liability for negligence began in the days when "charity typically operated on a small scale. Today, charity is big business."

Justice L. W. Carr, in a dissenting opinion, said such a sweeping change in public policy should come from the legislature.

It is not clear whether the change will apply to institutions other than hospitals.

In changing the wrongful death act, the court upheld a $14,980 damage verdict awarded by a jury in the traffic death of a 14 year old Boy Scout. Circuit court had ordered the verdict reduced to $8,480 on the ground that it exceeded the recovery limits imposed by the wrongful death act.

The supreme court said the act was "barbarous." While upholding the jury award 5 to 3, the opinion failed to set a new loss standard.

—

J. Edward Faust Jr., vice-president and actuary of Universal Automobile of Indianapolis, has become a Fellow of Casualty Actuarial Society.

Marine Insurers In Open Discussions At First U. S. Meet

L. Rostock-Jensen Again President; Problems Are Common In Many Countries

By JOHN N. COSGROVE

WASHINGTON—A colorful assemblage of visitors from all parts of the world, including Russia and Iron Curtain countries, was on hand here for the first meeting in the U. S. of International Union of Marine Insurance. American Institute of Marine Underwriters was a gracious and efficient host at this meeting which revealed a new attitude on the part of marine underwriters with respect to open discussion of their problems and more flexible relations with the press.

L. Rostock-Jensen

Louis Rostock-Jensen, managing director of Baltica of Copenhagen, was reelected president of the union. R. A. J. Porter of Lloyd's retired from the executive committee after serving six years. A. C. Grover of Lloyd's and Karl Friedrich Von Schlayer of Germany were named to the committee.

G. W. Hogsflesh, with Commercial Union in London, vice-chairman of the union who presided at the open council meeting, stressed in his preliminary remarks that the meeting was not intended to reach agreement on rating. Decisions on rating must be made in each country, he declared, with competition as the chief factor.

Emil O. Kratovil, Carpinter & Baker, first vice-president of the American Institute, presented the U.S. report on hull business in general. He noted that underwriting results have been rea-

(CONTINUED ON PAGE 33)

The official family of Michigan Assn. of Insurance Agents elected at the annual meeting last week in Grand Rapids: From the left, Stuart W. Doty, Grand Ledge, vice-president; W. O. Hildebrand, secretary-manager; William T. Dodson, Ann Arbor, outgoing president; F. Loren Rogers, Ontonagon, president; Jack Butterick, assistant secretary, and Robert S. Latham, Dearborn, treasurer.

(A report of the convention begins on page 28.)

FTC Brief Argues Travelers Health Appeal Court Plea

Maintains That A Regulatory Law Against Non-Domiciled Insurer Is Not Enforceable

The legislative history of public law 15 supports a finding that "conduct affected by a state regulatory law which cannot be effectively enforced" is not, therefore, regulation by state law within the meaning of the McCarran act, the Federal Trade Commission maintained in its latest brief to the U.S. court of appeals at St. Louis. The brief was filed to counter arguments presented by Travelers Health Assn. in its brief recently filed with the court, in which Travelers Health asked that the FTC cease-and-desist order prohibiting the insurer's advertising in non-licensed states to be set aside.

In March, the U.S. Supreme Court vacated an earlier appeals court decision in FTC vs Travelers Health, ruling that although Travelers Health's state of domicile, Nebraska, had a law on its books which was supposed to control its mail order advertising in other states, this law did not represent regulation in the sense required by public law 15, if such activities are to be exempt from FTC jurisdiction.

Case Remanded

The Supreme Court ordered the case remanded to the lower court for "further proceedings consistent with the view of this decision." The lower court granted Travelers Health permission to file a brief indicating which questions were not resolved by the higher court and, therefore, still remain open for consideration.

In its brief, Travelers Health pointed out that the Supreme Court has held only that regulation by Nebraska did not of itself eliminate FTC jurisdiction within the meaning of the McCarran act, adding the previously unconsidered argument that the FTC still lacks jurisdiction because of already existing regulations over Travelers Health advertising by the states into which the advertising is being disseminated.

FTC Answers

In its answering brief, the FTC argued that the laws of states other than that of domicile do not within the meaning of the act regulate practices of a direct-mail insurer which sends advertising material into jurisdictions in which it is not licensed.

The FTC brief said even though an insurance commissioner of another state could obtain a valid cease-and-desist order against Travelers Health or any other mail order insurer domiciled in another state, the order could not be enforced effectively either in Nebraska or the insurer's state of domicile.

Aug. Fire Losses Increased 20.6%

Fire losses in the U. S. during August amounted to $90,037,000, a 20.6% increase over August, 1959, according to National Board. The August total is up 8.5% over losses in July.

Losses for the first eight months of 1960 totaled $747,006,000, an increase of 4.1% over the first eight months of 1959.

Roy L. Davis Dies

Roy L. Davis, midwest manager of Assn. of Casualty & Surety Companies, died at Chicago. He was an indefatigable worker for the cause of insurance, known and liked throughout the business. Mr. Davis had experience in life insurance selling and with the Illinois department before joining Assn. of Casualty & Surety Companies.

He used his own initiative and energy to make his job of "contact" into a vital and important function. He watched every move of the legislatures in his bailwick. When a bill inimical to the business popped up he was there to present the insurance case, or to use the force of logic to have it changed into something acceptable. During the legislative sessions he was on the go constantly, keeping in his head the details of what was transpiring in eight or nine states.

Mr. Davis thought far ahead of his speech. In conversation he was sometimes almost impossible to follow because he attributed to his listener knowledge equal to his own. He spoke in fragments and misused names and idioms in a remarkable way. But his friendliness, his obvious penetration of a subject overrode this difficulty, if such it was. He dealt with every segment of the business on the basis that each had its merits, although none could equal the companies he represented.

About a year ago Mr. Davis suffered an illness so serious that three of the five doctors on the case gave him up. He recovered and returned to work almost before he was physically able. His interest in his work never diminished.

Until his health forced him to resign,

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Federal Seeks To Acquire Gt. Northern

Federal is negotiating to acquire the stock of Great Northern. After paying a 10% stock dividend on the 3,087,916 outstanding shares, Federal will offer to exchange one share of its stock for each share of Great Northern, which has 100,000 shares of $10 par.

The offer is contingent upon acceptance by holders of at least 85% to 95% of Great Northern stock. There are fewer than 200 stockholders.

Great Northern is the old Minneapolis Lloyds. It was converted to a stock company in 1952. The company is a leading writer of auto in Minnesota and North Dakota. Earned premiums in 1959 were $4.8 million.

Guam Plane Insured In London Market

The World Airways four-engine DC-6 which crashed at Guam was insured in the London market. Depending on modifications, the hull was valued at $500,000 to $750,000. The plane, on charter to Military Air Transport Service (MATS) was en route from Formosa to California.

Mutual of Omaha handles the group travel accident plan of MATS for service personnel.

Minneapolis Agents Elect

Howard J. Dumphy, Dumphy agency, has been elected president of Insurance Agents of Greater Minneapolis. Edgar Sivright, Caswell-Ross agency, is vice-president, and Violet Schutta is secretary-treasurer

CPCUs Told To Seek Keener Perception Of Insurance Uses

Research Program Proposed At Detroit Annual Seminars: McCulley Elected President

Adoption of a questioning attitude towards insurance and its use was recommended at the annual seminars of Society of CPCU last week at Detroit. This introspection, which would be implemented with a long-range research project, was suggested by John D. Long, associate professor of insurance of Indiana University, who called upon the society to spend a number of years, if necessary, seeking a better understanding of the business.

Besides the seminar sessions of the week-long meeting, other business conducted produced the new president, Price M. McCulley, Shreveport, La., adjuster, who replaced Robert O. Young, North America; conferment of the CPCU designation upon 298 candidates, and approval of $20 annual dues.

Mr. Long, who spoke for the special research group which was established last September, warned that when understanding of insurance fails to keep pace with its use, insurance is apt to

(CONTINUED ON PAGE 34)

New Name, Strong Fall Program For Cincinnati Board

CINCINNATI — Cincinnati Underwriters Assn. has changed its name to Cincinnati Insurance Board, voted to incorporate after 122 years as an unincorporated association, and is embarking upon a program of regular monthly meetings and aggressive public relations under the direction of J. R. Trainer, president, and L. R. King, who became secretary last spring following the death of J. F. Schweer.

Office operations will be featured at several luncheon meetings. R. J. Layton, Indianapolis, vice-president Rough Notes Co., will speak at the first meeting on Oct. 12. The board will also stage a two-day sales clinic in November.

A. M. O'Connell, past president of the board and also past president Ohio Assn. of Insurance Agents, will head the new public relations committee.

The new name, the seventh the organization has had, was selected by the governing committee because of its simplicity and because it would readily identify the organization with the insurance in the mind of the public. It was felt that the term "underwriters" is vague and meaningless to the public and a title such as "Cincinnati Assn. of Independent Insurance Agents" would be too long and cumbersome for public relations purposes. The term "board" has twice been in the title of the organization, which is the oldest local board in the country. It was founded in 1838 as General Board of Fire Underwriters of Cincinnati, became Board of Underwriters of Cincinnati in 1851, Cincinnati Underwriters Assn. in 1897, Fire Underwriters Club of Cincinnati in 1906, Cincinnati Fire Underwriters Assn. in 1917 and, in 1954, once more Cincinnati Underwriters Assn.

Equity General Moved To Miami For Burial

Commissioner Larson of Florida has lowered the boom on Equity General, a Miami corporation which for about two years has had its executive offices in Boulder, Colo. The department has placed the company in receivership. The executive offices have been moved back to Miami.

Equity General is one of the companies under the wing of Allen J. Lefferdink. It has been specializing in writing mechanical breakdown insurance which is part of the auto warranty contracts that used car dealers have been offering.

Equity General in 1959 did $3.2 million in direct premiums, $2.4 million in net premiums and $1.7 million in earned premiums. Most of the business was auto. The company was bought by Allied Colorado Enterprises, a Colorado holding company headed by Mr. Lefferdink, in 1958. It had been part of the American Title group of Miami. When it was bought by Allied Colorado Enterprises, Equity General became part of what has been known as the Colorado Insurance Group of which the head company is Colorado Credit Life.

When Colorado Insurance Group bought Equity General, it acquired only the name, the business having been reinsured earlier. However, the business of Allied National and Colorado Ins. Co. was reinsured in Equity General, and Equity General became the successor company to Colorado Ins. Co.

Of the officers of the company listed in the reporting services on Dec. 31, only two remained 60 days ago.

Citizens Casualty Pays Stock, Cash Dividends

Citizens Casualty has declared stock cash dividends. The stock dividend, amounting to 5%, is payable on both class A and class B stock Oct. 15 to stock of record Oct. 5.

Cash dividends of 10 cents a share on class A and one cent on class B have been declared payable Jan. 15 to stock of record Jan 5.

Ban Auto Club In Fla.

Commissioner Larson of Florida has cancelled the license of Metropolitan Automobile Assn. to do business as or to engage in the operation of an automobile club in the state. The action was taken because of the club's failure to deposit with the commissioner $50,000 in securities or a surety bond in lieu thereof.

Kemper Group Sponsors New TV Double Feature

Kemper group is sponsoring a Sunday TV series which double features "Chet Huntley Reporting" and a new program called "Celebrity Golf" with Sam Snead.

The two programs, each 30 minutes long, give Kemper a solid hour of coast-to-coast coverage over NBC-TV on 26 Sundays starting Sept. 25. Eighty-eight stations have been ordered, Mr. Snead having the first half of the hour.

C. R. Bishop, advertising manager Kemper, said most of the agency force is in areas reached by the broadcasts, providing agents with prestige TV programming to help pre-sell top prospects. He said Kemper hopes to reach a large number of men of above-average education and income through the two programs with different viewer appeal. The combined number of persons seeing the two programs is estimated at 9½ million. The twin programs represent an investment of nearly $1 million in support of the American agency system.

On the "Celebrity Golf," each guest entertainer will be matched against Mr. Snead for nine holes on one of the courses in or near Los Angeles. Each opponent will have a chance to win cash prizes for a favorite charity—$250 for every hole reached in par, $500 for every birdie and $1,000 for beating Mr. Snead over nine holes. A special $10,000 prize will be awarded for a hole-in-one. Bob Hope is the first challenger.

Mo. Fire Prevention Men Schedule Fall Meeting

The fall meeting of Missouri State Fire Prevention Assn. will be held in the Missouri Hotel, Jefferson City, Oct. 6. Lamont Heidinger of National Board of Fire Underwriters will be the principal speaker, discussing arson investigation. This will be the first meeting under the association's new officer slate. C. D. McCormack of St. Louis is president; Robert F. Quigg, Kansas City, vice-president, and D. E. Clader, St. Louis, secretary.

The association inspected Neosho, Mo., Sept. 21.

Zurich Appoints William G. Skelly

William G. Skelly will handle boiler and machinery production and underwriting in Zurich's Philadelphia branch office. He was previously with Mutual Boiler and Machinery.

Dan Dodson New Head Of Equity Mutual

The new president of Equity Mutual of Kansas City is Dan Dodson, the son of Bruce Dodson, and a third generation of the Dodson family in the insurance business.

Dan Dodson

Dan Dodson started in insurance in 1938 with Reciprocal Exchange and Casualty Reciprocal Exchange companies formed by Bruce Dodson Sr. Bruce Dodson Jr., the present head of the two reciprocals, founded Equity Mutual in 1933.

Society Of CPCU Officers Are Named

New officers of Society of CPCU elected at Detroit meeting are, from left, Price M. McCulley, Shreveport, La., adjuster, president; William R. Kersten, Van Schaack & Co., Denver, and Donald C. Brain, W. B. Johnson & Co., Kansas City, vice-presidents; Norman E. Roop, Booth, Potter, Seal & Co., Philadelphia, treasurer, and A. Hawthorne Criddle, Ostheimer-Walsh, Philadelphia, secretary.

"Wrap 'em all up in Z-A!" says Mr. Za

Throw out the books and files! Wrap up all personal lines in Z-A. Take advantage of electronic billing—even for personal accident and sickness. Practice Insuremanship.* Spend all your time on new business. Let Z-A's machines do the billing. You sell. You make money. *You* own all renewals.

Wonderful to sell, too. New Z-A MERITmatic HOMEOWNERS† policies with 3, 12 or 36-month payment plans, automatically renewed on payment of premium, cost less and offer more than other homeowners plans with comparable coverage, because of electronic handling.

MERITmatic automobile policy is also automatically renewable . . . and renewals run so exceptionally high that the Z-A agent's future is assured. Want to be amazed? Ask us for actual figures.

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†Not yet available in all states, write for details.

MERITmatic not yet available in all states. Details on request.

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*TM

Decries N. Y. Court's Contingent Fee Ruling

In a talk to the insurance section of American Bar Assn. at the annual meeting in Washington, Walter H. Beckham Jr., Miami attorney, unqualifiedly opposed judicial control of contingent fees in personal injury cases.

Noting that such control has been assumed by two departments of the New York appellate division, Mr. Beckham declared that it was significant that this position has not been taken by any other court in the history of the U.S.

He questioned the "compelling reason" which supposedly impelled the New York court to take this step. It has been said that the court must protect the litigant from unconscionable fees in personal injury cases and from lawyers who "sail too close to the wind." The court allegedly relied much upon the fact that in the first department approximately 150,000 contingent fee agreements were being filed annually as required by court rule and that upwards of 60% of these agreements fixed the attorneys' fee at 50% of the amount recovered.

However, the court did not disclose the actual fees received by attorneys as reflected in the closing statements which were also required to be filed. This is a very significant omission in view of the contention of many attorneys before a special referee that 50% fee agreements were contracted for primarily because the printed legal forms contained such a figure, whereas the ultimate compensation was considerably less.

Attorneys also testified that this figure was included to cover all possible contingencies that might arise in the course of litigation. The court evidently ignored the fact that the number of closing statements filed annually was only 50,000 as contrasted with the 150,000 contingent fee agreements, with the obvious inference that in the vast majority of cases where contingent fee contracts were filed there was no recovery obtained, no fee collected, and hence, no closing statement filed, Mr. Beckham noted.

He recalled that the special New York referee Isidor Wasservogel, former New York state supreme court justice, recommended against adoption of a court rule limiting fees and warned that the rigid 35% rule might make it economically impractical for lawyers to handle cases involving minor injuries on a contingent fee basis. This recommendation came after months of investigation and taking testimony at public hearings, in the course of which more than 200 attorneys appeared and 41 bar associations and lawyers' groups made statements. The referee held that the hearings had disclosed insufficient evidence of the need for limiting the contingent fees at that time. The referee also observed that the appellate division had not said where the criticism of the system had come from, how many complaints had been made, how many attorneys had been criticized or whether the complaints were justified. With such information the bar would be in a better position properly to express an opinion concerning any proposed rule intended to cure a general condition, which attorneys contend does not actually exist.

Other Considerations

Mr. Beckham believes that the contingent fee contract is the source of less contention than most fee contracts between attorneys and their clients. He is aware of no statistics which evidence a widespread dissatisfaction among clients with contingent fee contracts or their provisions. However, he is familiar with the dissatisfaction with such contracts that has been expressed by some spokesmen for segments of the insurance business and in magazine articles which he seriously doubts had the welfare of the injured plaintiff as their chief concern.

Mr. Beckham wonders if the court which has taken steps to protect the plaintiff from his own lawyer also has in mind the disciplining of lawyers on the defense side who participate in settling claims of plaintiffs who have no lawyers, for amounts that are so small as to be unconscionable. He also wonders if the injured plaintiff is really in greater danger of being overreached to his financial detriment by his lawyer than is the defendant in a criminal or tax case, or the parties in a contested probate or real property matter.

Adequate machinery for the disciplining of lawyers and the supervision of their professional conduct exists without usurpation of power by the courts. The grievance and ethics committees of bar associations have a broad range of powers and functions which lawyers have imposed upon themselves.

The New York rule goes far beyond traditional methods of fee regulation for client protection. Though his subject related only to contingent fees in personal injury actions, Mr. Beckham said there can be no doubt that if the

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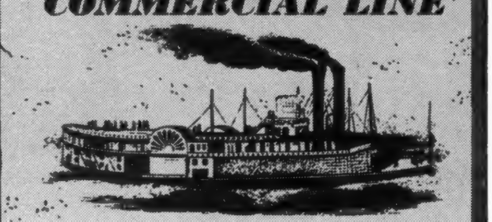


Business Is Meeting Modern Developments

The market for insurance is constantly expanding, and the business is meeting the demand, Frederick W. Doremus, assistant general manager of Inter-Regional Insurance Conference, told the annual convention of Vermont Assn. of Insurance Agents in Vergennes. However, he noted, such improvements in coverage over the years as EC, the first package contract that combined four coverages—windstorm, explosion, riot and civil commotion, and aircraft damage—did not originate in public demand. They were initiated by the creative thinking of companies, agents and brokers concerned with improving the protection sold to the public.

Today, new and necessary coverages or combinations of coverages are being devised, coupled with the use of modern electronic equipment to speed processing, he said.

Some say that fire insurance is on the decline and suffers by virtue of its combination with package policies, Mr. Doremus observed. The record does not bear this out. In 1956, the first year that multiple peril policies were separately recorded, New York entered stock insurers wrote $1.160 million of fire premiums. In 1959 the figure was $1.242 million, an 8% increase in four years. EC premiums increased from $438 million to $456 million. Homeowners, which started with less than $10 million in 1954, rose to $371 million in 1959.

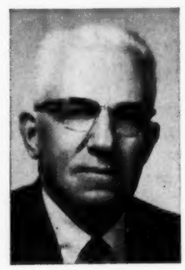
Commercial multiple peril policies are not developing as rapidly—they produced $15 million in 1956 and $28 million in 1959. However, Mr. Doremus noted that the commercial property form is being modernized.

To suggest the possibilities for future expansion in the highly competitive dwelling field, Mr. Doremus reported on a sample check of dwelling building daily reports clearing the stamping departments of seven eastern rating organizations in a one-week period. This showed that 9% of the dailies are still issued for fire insurance only; 83% of them were for fire and EC; 5% were under the broad dwelling form, and 3% were on the special dwelling building all risk form.

He said that a special motel coverage is about ready for introduction. Also, the research and development department of Inter-Regional is continuing its study of a special coverage endorsement to cover all risks of physical loss with appropriate exclusion, modernization of inherent explosion treatment, and the modernizing of basic dwelling forms, EC, and the broad and special dwelling forms.

Stratton Ends Research Career With Travelers

Reuel C. Stratton, assistant director of Travelers research department, has retired after more than 40 years service. He is recognized as an international authority on safety in the field of nuclear energy.



Reuel C. Stratton

He joined Travelers as supervising chemical engineer in 1919. Later he was superintendent of the engineering and loss control division until 1956 when he was appointed assistant director of the research department in charge of chemical and nuclear research.

Mr. Stratton is a former vice-chairman of the Atomic Energy Commission's advisory committee on reactor safeguards. He is also chairman of the technical committee of Nuclear Energy Property Insurance Assn. and a member of the executive committee of Nuclear Insurance Rating Bureau. He plans to continue advisory work on nuclear safeguards.

Babaco Unit Reports Cargo Thefts On Rise

The total of cargo thefts is at a record level this year, according to reports by Cargo Protection Bureau, which is operated in conjunction with Babaco Alarm System. In spite of the fact that more goods are moved under tight theft-preventive operations the crime wave is increasing, as the experts had predicted at the beginning of the year.

Cargo Protection Bureau notes that cargoes are a prime target. Though such thefts were 10 times greater in 1959 than the annual toll at the end of World War II, the Federal Bureau of Investigation reports a 10% increase in this crime rate in the first half of 1960.

In a list of cargo thefts reported, the FBI cites these crimes to illustrate the widening spread of target risk thefts: $50,000 in steel bars in Dearborn, Mich.; $5,900 in twine in New Orleans; $8,000 in furniture in San Francisco; and $10,000 in radium capsules in Hobbs, N.M.

Leading Agents Detail Experience In Many Phases Of Account Selling

THE NATIONAL UNDERWRITER has queried a number of leading agents on the subject of account selling. They were asked to identify the account buyer, to specify the best types of prospects for accounts, and to name the coverage with which accounts usually start. The agents were also requested to describe their sales procedures, reactions of customers, underwriting problems, and other phases of account selling.

Roy H. MacBean, Cranford, N. J., agent, outlined his account selling experience as follows:

I think that the commercial (mercantile, manufacturing, trucking, service organizations, etc.) make the best prospects for complete account selling. Almost all risks in this category have a greater appreciation of the importance of insurance and of the service going 'way beyond the policy coverage, than do personal accounts. However, I believe that the homeowners policies make it much easier now to secure an entire personal account.

The age, or income, or both, at which an account begins to place all of his business with one agent varies a great deal by account, and because of the type of treatment that the account has received at the hands of agents, direct writers, or companies which have previously been involved.

Almost invariably, with commercial clients, the coverage will begin with one of four policies: Comprehensive public liability, workmen's compensation, contents, and building coverage, if the building is owned. These are the key coverages for getting the entire account, and I believe that almost all of the balance of the account depends upon securing them.

The most difficult coverages to sell any account are the blanket crime or 3D forms. Almost every commercial insured, other than the huge corporation, believes basically in the honesty of employes, whether he has only one employe or 500 or 1,000.

Another difficult form to sell—which many agents overlook, but in which our agency has specialized—is accounts receivable. When I was a field man, I had a great deal of difficulty interesting any agents in this line, and I don't remember having sold a single policy of this type while I was a special agent from 1938 to 1945. Perhaps it is a great deal easier today to sell this policy, because our agency has somewhere between 25 and 50 of these forms in force on merchants and manufacturers, etc.

Since we do no real estate business, most of our personal clients find us, rather than vice-versa.

A great many personal clients come to us because we handle the insurance for their firm. Thus our personal clients are mainly executives, junior executives, and in lots of cases employes of companies where we have the commercial account. We constantly try to sell accounts only, and we have made a practice, particularly during the past five years, of refusing small "bones" that certain persons, commercial or otherwise, try to toss us on a reciprocity basis. We insist upon receiving the entire account with respect to commercial, manufacturing, mercantile, etc.

Several years ago we turned down an $11,000 WC premium because the insured would not agree to turn the whole account over to us. We since have written the entire account, including the Factory Insurance Assn. fire business of several million dollars, U&O, products liability, etc. We are definitely going to pick and choose the accounts that we write, and we're going to underwrite and handle them in the way we think best. This is seldom the way the insured might wish to have matters handled.

Almost every commercial insured needs certain services from a single expert. An insured would not have two accounting or legal firms, and should not have more than one insurance agent. That agent should be on constant call for all forms of advice and service and should be completely responsible for the account.

Sales Methods

Agents should not try to sell from the bottom up, but from the top down. They should start talking about limits of $100/300 rather than $10/20 because they can always come down but seldom go up.

I don't think that "balance" in an insurance program is a good argument to use with insured. It is much better to concentrate on the argument that the professional agent wants to be truly responsible to management and must have its confidence. That can be mutually beneficial only if one agent handles the entire account, and has sole responsibility. We stress that we are not merely agents or brokers, but insurance counselors whose services are a continuing and indispensable part of doing business.

Different customers react differently to buying complete accounts. Generally, however, an agent can sell complete accounts more easily to younger business executives than to the older ones. Several older merchants in our town insist on "farming out" a great

(CONTINUED ON PAGE 27)

Mental, Other Ills Cover Differ Only Slightly: Follmann

Hospital, surgical, and medical expense coverages almost universally provide the same coverage for mental and emotional disorders as for other illnesses, Joseph F. Follmann Jr., director of information and research of Health Insurance Assn., said in his keynote address at the Mental Health Insurance Institute, sponsored by Mental Health Federation, in Columbus, O.

After outlining the types of coverage for mental illness available from other organizations, Mr. Follmann said that in coverages provided by insurance companies "insofar as practical, no differentiation is made between mental illness or any other illness."

Moreover, he noted, insurance companies also provide extensive coverage against loss of income which can result from accident and illness, and "under these coverages no distinction is usually made between nervous and mental disorders and other causes of disability."

He said A&S companies of all types have been actively experimenting in coverage for mental illness, but that the degree to which private insurance might cover mental illness "is impossible to estimate on the basis of presently available information."

Some of the major questions facing insurers, said Mr. Follmann, are: What is the distinction between "illness and problems?" How is one to measure the necessity and reasonableness of the claims presented? How might or should the subjective nature of some forms of psychiatric treatment be controlled in order to avoid waste of policyholder's funds? What is or should be the relationship of the psychologist, or the clinical psychologist, or psychological counselling, or group therapy, or faith healing to health insurance coverage?

He said further progress in coverage for mental illness perhaps requires further consideration within the following areas: That psychiatry establish patterns of care acceptable to, understood by, and demanded by the public, and that the costs of such care be reasonably predictable; the development of usable data on the incidence, duration and cost of care for mental illness; greater public demand for such type of coverage, and the establishment of greater priority for mental illness coverage in collective bargaining discussions.

WHY DO MORE HOMEOWNERS TURN TO INA THAN ANY OTHER COMPANY?

The way people continue to turn to INA agents for Homeowners Insurance you'd think INA was still the only company with a single "package" insurance policy for homeowners.

INA invented the Homeowners Policy and has continued to improve it—so that today, despite many imitators, the original is still far the best. INA's world-wide network of claims offices is another powerful plus. With so many of your customers traveling these days, this looms larger than ever before.

Add INA's current powerful advertising in *The Saturday Evening Post,* and it's easy to see why homeowners turn to INA, and INA agents turn up more sales each year. How about you? Do you represent INA?

INSURANCE BY NORTH AMERICA INA

Insurance Company of North America • Indemnity Insurance Company of North America
Life Insurance Company of North America • World Headquarters: Philadelphia

300 Attend Annual N. H. Agents Meeting

More than 300 attended the annual meeting at Bretton Woods of New Hampshire Assn. of Insurance Agents. Edward Cavaney, head of the A. B. Gile Co. agency at Hanover, was elected president; Arlon Jennison, Nashua, and Henry Weston, Claremont, vice-presidents, and T. Winston Keating of Claremont, state national director (re-elected). Theodore Rouillard was re-named executive secretary.

Elected to the executive committee were Charles E. Bilodeau of Berlin, chairman; John Jacobs of Berlin, Russell Merrill of Hampton, Philip S. Dunlap of Concord, Thomas Burns of Manchester, Richard French of Lancaster, Frank Butterworth of Portsmouth, Elliott Covill of Manchester, Ralph Morin of Laconia, and Frank Yudickey of Tilton.

Cooper M. Cubbedge of Jacksonville, Fla., executive committeeman of NAIA; John R. Barry, president of Corroon & Reynolds; William H. Brewster, National Bureau; Clark R. Pace, financial editor of Business Week; and James S. Cawley, retired McGraw-Hill Publishing Co. editor and founder of Princeton University's advertising and sales forum, spoke at the meeting.

Presents Framed Citations

Mr. Bilodeau, retiring president of the association, presented framed citations for furthering the aim of the association and of the agency system to Charles Hurley of Lancaster, Eugene Soles of Portsmouth, and John Bellows of Peterborough.

Preceding the convention, 18 past presidents of the association held the annual meeting of the Order of the Purple Duck, organization of past presidents, to induct Mr. Bilodeau into membership.

Mr. Cavaney is past president of Hanover Rotary Club.

Employers Mutuals Name W. P. Morse Claims Manager Succeeding C. W. Kroening

William P. Morse, assistant claim manager of Employers Mutuals of Wausau since 1953, has been appointed claim manager to succeed Carl W. Kroening, retired.

Mr. Morse has been with the company 25 years and has served as claim manager in Omaha, Philadelphia, and Minnesota. He is a member of the bar in Wisconsin, Minnesota and Nebraska.

Mr. Kroening started with the company in 1915 in the mail department and became a claim adjuster in 1918, claim manager in 1937, and manager in 1953.

Minn. Commissioner Warns Against Improper A&S Ads

Commissioner Magnusson of Minnesota has warned that misleading advertising is being used in soliciting A&S business by mail by certain out of state companies unlicensed in Minnesota. The companies are flooding the mails with advertising material in sharp conflict with the Minnesota A&S insurance advertising code, he said.

The commissioner suggested that citizens of the state check with his office before they buy any insurance solicited by mail.

N. J. Blue Shield Has Over-65 Health Plan

New Jersey Blue Shield has offered state residents age 65 and over a medical-surgical health plan. The plan follows a companion hospital plan already offered by N. J. Blue Cross.

Applications for the companion plans will be considered immediately for effective coverage starting Nov. 1. Eligible applicants will be required to meet only reasonable health standards required of all persons seeking non-group enrollment.

A single person over 65, applying for the Blue Cross-Blue Shield plans together, will pay $16.46 per quarter for the combined coverage, which includes modified Blue Cross hospital benefits, or $20.13 per quarter if they want the more inclusive comprehensive Blue Cross coverage.

School Saves Price Of Safe Roof In Premiums

An illustration of the savings to a community of having a fire resistant school building is given in the current bulletin of Camden-Gloucester County (N.J.) Assn. of Insurance Agents.

A school board in New Jersey met to consider whether the town's new school should have a wooden roof or a fire-resistant one, which would cost $27,000 more to build. The architect was asked for his advice. He recommended that the board consider the savings through reduced premiums for a fire resistant structure. Combustible materials often prove an extravagance in the long run, he said.

Premium Price Noted

He told the school board in New Jersey how the wooden roof would affect the insurance on the $1,400,000 building. Premiums would be $9,700 annually for the wooden-roof structure compared with $2,140 for the more expensive fire-resistant building.

With the interest rate applied to the added cost of the fire-resistant roof, the better roof would be paid in less than five years in savings on premiums alone. Over the estimated 50-year life of the school the architect figured the cheaper materials would cost $350,000 more than the fire-resistant construction. This did not include the maintenance cost usually required on a wooden roof. Apart from these considerations, the architect advised the board that no savings in construction can possibly be justified if it means jeopardizing the safety of school children.

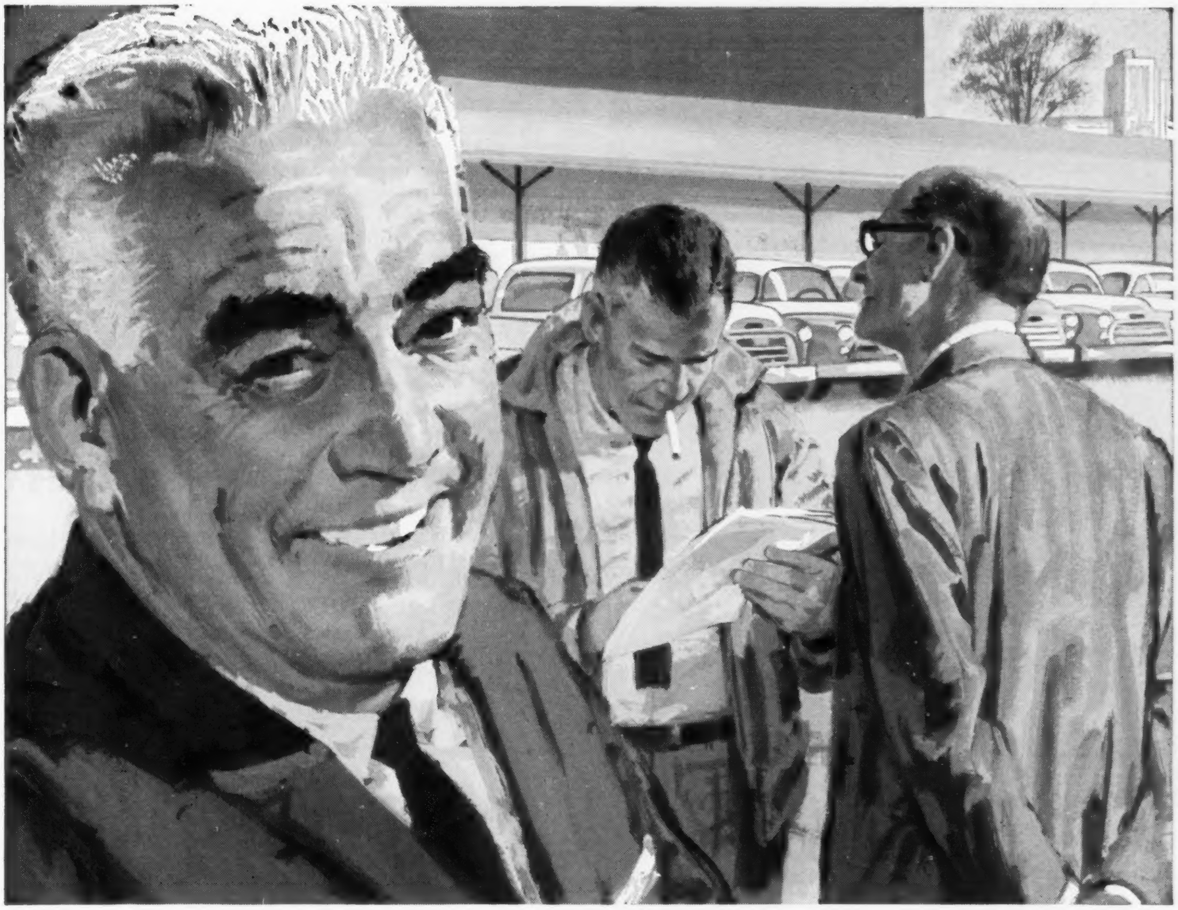
Ratterree Organization Holds Managers Seminar

John Ratterree Co., of Greer, S. C., a managing general agency affiliated with Dixie Fire & Casualty and Southern Home, held a three day seminar for its resident managers, covering a manager's personal problems and responsibilities and operating policies of the group.

F. H. Spears, vice-president of the organization, was in charge of the meeting and J. S. Bickley of University of Texas conducted the sessions. Loren Schoephoerster, Columbus, educational director of State Automobile Mutual, spoke at the closing dinner.

Oil Assn. Appoints Two

Oil Insurance Assn. has appointed William H. Moloney to the executive committee. He is assistant manager of Hartford Fire's western department. Wilfred E. Johnson, chief accountant of the association, has been made comptroller.



"Here's how I made sure I held one of my best accounts!"

by a Tennessee insurance agent

"When you have good accounts, you can be sure of one thing—competition! And this year I knew it would be tougher than ever to hold one of my larger accounts. So I began making plans long before renewal time.

"I called in Bob Gulgusky, Special Agent for *The American* and told him the story. The first thing Bob did was to initiate preliminary underwriting and engineering surveys and then turned his findings over to the Branch Office at Nashville.

"In short order, Casualty Manager Bill Watson worked up a 3-year Retrospective Rating Plan D proposal covering Auto Fleet Liability, General Liability and Workmen's Comp. It was tailor-made for my client—gave him a solid protection program, plus potential premium savings in the future. And when the three of us presented our proposal, after we made some changes—*on the spot*—the client bought it!

"I had just taken *The American* into my office a few months before this because of their multiple-line facilities—and when they helped me save this $40,000 account, they certainly proved themselves to me!"

You, too, can help yourself to extra income by taking advantage of *The American's* fine reputation, multiple line facilities and excellent branch office services . . . offering authoritative underwriting, prompt policy-writing, expert engineering, premium auditing and speedy claim attention. Contact your closest branch office. Let us prove to you that *The American* means business . . . MORE BUSINESS FOR YOU.

1846

THE American Insurance Group

NEWARK 1, NEW JERSEY

The American Insurance Company • American Automobile Insurance Company • Associated Indemnity Corporation

ACCIDENT & HEALTH • AUTOMOBILE • BONDS • BURGLARY • FIRE & ALLIED LINES • GENERAL LIABILITY
GLASS • INLAND & OCEAN MARINE • MULTIPLE PERIL • WORKMEN'S COMPENSATION

Conventions

Sept. 25-27, Indiana mutual agents, annual, Hotel Van Orman, Fort Wayne.

Sept. 26, New Jersey agents, annual, Hotel Traymore, Atlantic City.

Sept. 26-28, National Assn. of Insurance Agents, annual, Chalfonte-Haddon Hall, Atlantic City, N. J.

Oct. 2-4, Zone IV National Commissioners, Fort Des Moines Hotel, Des Moines, Iowa.

Oct. 2-5, National Assn. of Casualty & Surety Agents and National Assn. of Casualty & Surety Executives, combined annual. The Greenbrier, White Sulphur Springs, W. Va.

Oct. 6-8, California Assn. of Independent Insurance Adjusters, annual, Ambassador Hotel, Los Angeles.

Oct. 8-11, Kansas agents, annual, Broadview Hotel, Wichita.

Oct. 13-14, Conference of Mutual Casualty Companies, sales and agency meeting, Conrad Hilton Hotel, Chicago.

Oct. 14-15, North Dakota agents, annual, Grand Pacific Hotel, Bismarck.

Oct. 16-18, Arizona agents, annual, Pioneer Hotel, Tucson.

Oct. 16-18, Maryland agents, annual, Hotel Emerson, Baltimore.

Oct. 16-18, Ohio agents, annual, The Neil House, Columbus.

Oct. 17-19, Wisconsin agents, annual, Schroeder Hotel, Milwaukee.

Oct. 18-19, Massachusetts agents, annual, Sheraton Plaza Hotel, Boston.

Oct. 21-23, Colorado agents, annual, Broadmoor Hotel, Colorado Springs.

Oct. 22-27, National Assn. of Mutual Insurance Agents, annual, Statler Hotel, Washington, D. C.

Oct. 23-25, Missouri agents, annual, Governor Hotel, Jefferson City.

Oct. 24, Rhode Island agents, annual, Sheraton-Biltmore Hotel, Providence.

Oct. 24-26, Assn. of Mutual Insurance Engineers, regional meeting, Sheraton Dallas, Hotel, Dallas.

Oct. 24-26, California agents, annual, Sheraton-Palace Hotel, San Francisco.

Oct. 26-28, Nebraska agents, annual, The Town House, Omaha.

Oct. 27, Connecticut agents, annual, Statler-Hilton Hotel, Hartford.

Oct. 27-28, Kansas State Assn. of Mutual Insurance Companies, Holiday Inn. Topeka.

Oct 27-29, New Mexico agents, annual, Western Skies Hotel, Albuquerque.

Oct. 30-Nov. 1, Illinois agents, annual, Pere Marquette Hotel, Peoria.

Oct. 30-Nov. 1, Tennessee agents, annual, Andrew Jackson Hotel, Nashville.

Oct. 31-Nov. 2, Nevada agents, annual, Las Vegas.

Nov. 1-3, National Assn. of Independent Insurers, annual, Chase-Park Plaza, St. Louis.

Nov. 2-3, Michigan mutual agents, annual, Pantlind Hotel, Grand Rapids.

Nov. 9-11, Insurance Section, American Management Assn., fall conference, Drake Hotel, Chicago.

Nov. 10-11, Central Claims Executives Assn., Morrison Hotel, Chicago.

Nov. 13-15, Kentucky agents, annual, Kentucky Hotel, Louisville.

Nov. 14-16, Indiana agents, annual, Claypool Hotel, Indianapolis

Nov. 16-18, Casualty Actuarial Society, annual, Statler Hotel, Washington, D.C.

Nov. 28-Dec. 2, National Assn. of Insurance Commissioners, regular meeting, Commodore Hotel, New York.

Nov. 30, Insurance Federation of New York, annual luncheon, Waldorf-Astoria, New York City.

Dec. 1-2, Conference of Mutual Casualty Companies, accounting & statistical, office methods & personnel meetings, Conrad Hilton Hotel, Chicago.

Dec. 28-30, American Assn. of University Teachers of Insurance, annual, St. Louis.

CDP Being Revived?

Virginia Assn. of Insurance Agents has bulletined its members that one insurer is interested in filing independently in that state the comprehensive dwelling policy with rates consistent with those for the 1959 homeowners. Since the filing and issuance of a form is an expense, the company wants to get an indication of agency interest in a revival of the CDP before proceeding, and the association is cooperating in that effort.

Michigan City Agents Elect

Michigan City (Ind.) Assn. of Insurance Agents have elected Daniel Goldman president; Steve Glidden, vice-president, and Robert Lindenmeyer, secretary-treasurer.

Recommends Guides For Excess Of Limits Cases

Certain cardinal principles must be followed in an attempt to avoid judgments in excess of policy limits, Carl F. Wymore, vice-president of Employers Re, declared in a talk at the annual meeting in Philadelphia of Federation of Insurance Counsel.

There are various shades and degrees of interpretation of negligence or bad faith or lack of good faith. These are construed by various courts depending upon the facts of each case. To conclude that, based upon a certain set of facts, an insurer was or was not negligent or guilty of bad faith or that there was a lack of good faith may largely depend upon the jurisdiction in which the case is pending, Mr. Wymore noted.

The reservation by the insurer in the policy of the sole control of the settlement and defense of the claims brought against insured has been found by the courts to imply a duty not to disregard the interests of insured, he continued. The liability of the insurer for payment of sums in excess of the stated policy limits arises from the breach of this implied duty, either during the investigation, negotiation, trial or appellate stages of the claim. The insuring clause of the policy has been fully complied with by the payment of the stated limit plus costs and interest as may be applicable.

Courts' Reasoning

In describing the "breach of duty," the courts have used various terms in imposing liability on an insurer. Such judgments against the insurer are measured by the damages sustained by insured because of breach of this duty and are levied against an insurer by the failure of its employes, agents or attorneys in doing or not doing certain things or in taking or not taking certain steps. Some courts have predicated such actions upon negligence; others upon good faith or bad faith, and a few, in effect, upon "hind sight," no matter what term is employed.

In this connection, it is well to remember that under today's discovery procedures, the insurer's files and probably the attorney's files are not sacred, but can be made available to insured or plaintiffs in an action for excess incurred over the limits of the policy, Mr. Wymore observed. He urged caution regarding the file contents. He did not suggest a telephone conversation instead of a letter, but he said he knows of no instance where an unrecorded telephone or personal conversation has been subject to a subpoena duces tecum.

Early cases concerned indemnity policies as distinguished from insurance policies, and the courts generally held that it was necessary for insured to have paid the excess amounts over the policy limits before he was entitled to maintain his suit against the insurer for the excess. This was on the theory that unless he had paid he had suffered no damage, and this rule carried over in the earlier decisions involving insurance policies as distinguished from policies of indemnity.

Situation May Change

There have been some departures from this rule, and many courts, probably the majority, allow insured to maintain his action even if he has not paid the excess. This is on the theory that his credit or future credit standing has been impaired; therefore, the fact that an insured is not personally able to respond in damages may be of little comfort in considering the matter.

While the few recorded decisions have been almost uniform in denying the right of the third party to maintain an action against the insurer for the excess of policy limits occasioned by the alleged negligence or bad faith of the insurer to its insured, some recent developments have introduced a startling change in this connection. What the third party was prohibited from doing directly is now permitted by some courts to be done indirectly. This situation has come about when the insured assigned his right to bring an action for excess of policy limits to the plaintiff, and where similar action has been taken by the administrator of insured's estate or by the trustee in bankruptcy. So the mere fact that the insured or his estate is not solvent may be of little comfort. Mr. Wymore questioned the alleged safeguard that insured is not personally able to respond in damages.

Facts All Important

Earlier cases and some later ones are generally divided under two headings—negligence and bad faith. Some courts adopted one theory or the other. In earlier decisions the courts engaged in careful analysis of the facts in finding either negligence or bad faith and in drawing a distinction between the two. However, Mr. Wymore believes that the later decisions do not draw such a fine line. No matter what term they use, in effect they mean the same thing.

Mr. Wymore does not believe that a claims man or attorney now can say: "That is a negligence state and we

were not negligent," or "that is a bad faith state and while we may have been negligent, we certainly were not guilty of bad faith; therefore, we are on safe ground." The courts may still use the same term, but the facts are interpreted to suit the term used.

Mr. Wymore thinks there is no real difference in the practical application of the terms as used today by the states that have allowed recoveries. He feels that a much more satisfactory approach is to look carefully at the facts of each case and to try to determine whether the insurer has breached its obigation to insured in handling the matter. It is well to remember that the insurer reserves the sole control over the settlement and the trial of the case and that this is an additional responsibility.

Recommended Procedure

From a reading of cases, Mr. Wymore has concluded that there are certain well-defined principles as to what the insurer should do or not do to avoid excess judgments, but it must be remembered that these vary in different jurisdictions and do not always hold true. They can be considered as broad guides. Among the procedures he recommended are:

1. Interview all known witnesses, make a strong effort to find additional witnesses and run down all leads.

2. In a multiple claim situation where settlement of some claims is permitted, the insured should not only be notified, but, if possible, his consent to such settlements should be obtained beforehand, preferably in writing, keeping in mind the applicable policy limits.

3. Defend the claim fairly with the most competent counsel available. Bear in mind the situation of double insured.

4. Determine if the plaintiff is injured and the nature and extent of the injuries. Consider neighborhood checks, undercover investigations, employer checks, school checks, etc.

5. If appeal is decided upon, proceed to do so.

6. Notify insured of the demands and keep him advised of the further demands. Give the "ad damnum" letter.

7. Have someone with authority present at the trial. This is generally desirable because it is sometimes rather difficult for an attorney to give his "all" in defending the suit and at the same time to make a cool, disinterested appraisal of how the trial is progressing.

8. Watch the time for appeals, the filing of interpleaders, cross petitions, and "actions over."

9. Give consideration to the interests of insured.

10. Consider the seriousness of the injuries, the large special damages and the probability of a large verdict.

11. Give due regard to the attorney's or investigator's recommendations. Use mature consideration and not snap judgments. The attorney has a duty to inform the insurer of settlement demands, but if he does not, the insurer is probably charged with notice. This opens the question of action against the attorney.

If any of the foregoing principles are not followed, consideration should be given to substantiating the reasons by a memo to the file, Mr. Wymore said.

Lists Don'ts

He outlined actions to be avoided:

1. Do not make a blunt refusal to pay limits or state that it is a company policy never to pay its limits.

2. Do not ask insured to contribute to a settlement within the limits. It may be different on a case of disputed coverage or the like, but the matter should then be reduced to writing.

3. Do not misrepresent the coverage or the limits.

4. Do not confess judgment or admit liability without the written consent of insured or his attorney.

5. Do not say: "We can only lose so much."

6. Do not be arbitrary in refusing settlement or in making an offer.

Efforts are being made to hold the insurer's independent attorneys, as distinguishd from house counsel, equally liable with the company for excess judgments, Mr. Wymore noted. He does not know of any case where

such an attempt has been successful, but it is not at all certain that the day is not approaching when such a decision could be forthcoming. It is well to remember that sometimes if an insurer is held liable, it might have an action over against its attorneys. If the attorneys are held, this could disturb the heretofore amicable relationship existing between the companies and their attorneys, as the latter will be busily engaged in protecting and clearing their own skirts instead of giving an independent and conscientious appraisal of the file. This might also have a tendency to drive the defense men into the plaintiff's camp.

While courts may be more prone to interpret the facts to be bad faith rather than negligence, this is questionable. An honest mistake in judgment may not be bad faith. Negligence may be a factor in considering bad faith. It is probably not necessary for insured to pay the excess before he is entitled to maintain his action against the insurer, Mr. Wymore noted.

He urged attorneys to remember cases where the third party cannot sue the insurer directly, but to keep in mind recent cases that have allowed a recovery by the third parties where the insured or his representatives have assigned his right to the third parties.

It may not be necessary for insured to place the insurer on notice to settle or accept the demand within the limits. The home office or supervising office must consider all the facts and changes in the situation, such as new medical reports, change in witnesses' stories, recent decisions, changes in the personnel of the courts, its attorneys' recommendations, etc.

Mr. Wymore said that an interesting question is presented as to when the plaintiff's demand must be accepted. Many have felt that the demand could be accepted or the policy limit offered at any time up to the submission of the case to a jury, but this sometimes poses a serious problem.

Precautionary Measure

There is another aspect to consider and that is the excess insurer's right to recover from the primary company when the latter has failed to settle within its limits. There is an authority that this right exists.

In order to protect the company in the event subsequent litigation between insured and insurer arises, written memoranda of all decisions (as distinguished from general dicussion) concerning investigation and settlement discussion should be kept in the file. Oral conversations are not sufficient, as they leave room for doubt.

In the event counsel's recommendations for investigation, preparation or settlement are rejected by the company or vice versa, explanatory notes should be kept in the company's file to reflect the basis for rejection.

While his last two suggestions may appear to be in conflict with some points raised earlier in his discussion, Mr. Wymore said, after careful consideration of the problem, it will probably be agreed that there is no real conflict. Preliminary discussions can, of course, be oral.

The best safeguard against a claim in excess of policy limits is the familiar "golden rule" coupled with the motto of the Boy Scouts—"Be Prepared," he concluded.

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Ohio Information Service Gives Fact File To Papers

Ohio Insurance Information Service is distributing to its members and newspapers throughout the state a "fact file" which contains data concerning safe driving, traffic law enforcement and other items affecting the cost of casualty insurance.

The intention, James E. Humphreys, executive director, states, is to add additional information regularly in order that a complete file may be built up for the use of newspapers as a source of reference on matters affecting insurance.

The first three bulletins deal with what causes auto rates to vary in different areas, comparative costs for auto insurance for different locations in Ohio, and statistics on passenger cars per family and persons per passenger car in the eight largest counties in Ohio, as well as comparative vehicle registrations in twelve states.

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Producers Conference Meets

The first formal meeting of National Insurance Producers Conference was held Sept. 15 in New York. Representatives of the three member groups attended. On hand for National Assn. of Casualty & Surety Agents were Walter M. Sheldon, Chicago, and Guy Warfield Jr., Baltimore; for National Assn. of Surety Bond Producers, Ralph Neely, Oklahoma City, and Donald H. Denton, Charlotte, N. C.; and for National Assn. of Insurance Brokers, Melvin A. Holmes, New York, and Merlin J. Ladd, Boston.

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The South Carolina department has approved a 2.1% reduction statewide in private passenger auto BI and PDL rates for **National Bureau.** Applications for increases in auto BI and PDL for commercial cars and garage risks were rejected.

N. Y. Cracking Down On Tow Truck Racketeers

New York authorities are cracking down on a combination tow truck-ambulance chasing racket, reputedly involving policemen and lawyers as part of a ring in operation for two years. In addition to the impact on insurance costs, the racket is said to have put about $2 million in the hands of participants.

Several New York newspapers made sensational disclosures following investigation of the situation. Assn. of Casualty & Surety Companies has also probed the racket.

One newspaper reported that the leader of the ring is an attorney in a high position with a city department. It is alleged that he set up a dummy radio and repair shop through which he was able to get hundreds of radios tuned exclusively to the police department's frequency. After picking up the news of an accident over the police radio, the tow truckers speedily arrived at the scene.

It is reported that they would then inform the ringleader-attorney and his colleagues of the names and addresses of those involved in the accident, the hospitals to which they were taken, a description of the injuries and the extent of damage to property. In return for these reports, the truck operators reportedly got a flat rate of $50 a case, $100 for a case involving a broken bone or bones, up to $500 for cuts requiring stitches, a still higher price for facial or disfiguring cuts, and $1,000 for cases involving a fatality. It is alleged that the truckers also were paid for towing and working on repairs in conspiracy with garages.

In a similar probe of a tow truck racket five years ago, a policeman was dismissed from the force for allegedly tipping off a towing company to police radio reports of accidents, and 19 policemen were fined or reprimanded.

Cunningham In N. C. For Phoenix Of Hartford

Phoenix of Hartford has appointed James C. Cunningham North Carolina special agent at Raleigh. He was formerly a local agent and a casualty and bonding special agent in Virginia.

Dates For CPCU Exams

American Institute has released its 1960-61 schedule. It contains dates for the CPCU examinations for 1961-65 inclusive. The booklet lists suggested reading for 1960-61, and the examination statistics for 1960.

The CPCU examinations will be held June 7-9 in 1961; June 6-8 in 1962; June 5-7 in 1963; June 10-12 in 1964; and June 9-11 in 1965.

Since the first series of CPCU examinations in 1943 a total of 11,867 persons have taken 38,079 examinations, and 8,332 persons received passing grades in 22,945 examinations.

In Royal-Globe Posts In N. Y., N. J., Conn.

Royal-Globe has promoted John Croker, state agent at East Orange, N.J., to casualty special representative there. He has been with the group since 1947. Edward T. Keale, state agent at Kingston, N.Y., has been named to succeed Mr. Croker as state agent at East Orange. Mr. Keale joined the group in 1956.

Harold R. Onderdonk, who joined the company at East Orange in 1957 and subsequently became special agent at Trenton, succeeds Mr. Keale at Kingston.

Mathew J. Matzer has been named state agent at New Brunswick to succeed the late Edward J. Garrison. Mr. Matzer has been in the field at Baltimore and Pittsburgh during his 32 years with the group.

Warren Special Representative

Frederick A. Warren, special representative in the group's systems department, has been named special agent at New Haven.

John J. Buchy has joined the group as special representative in the bonding department at Philadelphia. He has been with U.S.F.&G. in claims, underwriting and production in the Philadelphia area for 15 years. Louis J. Cease, appointed bond special representative at Buffalo, was formerly in the agency business there.

Robert R. Ayles has been named assistant manager of the inland marine-burglary-glass department at New York. He was a field man and later superintendent of inland marine at Chicago before being transferred to New York for administrative training.

Security-Conn. Raises Quarterly Dividend

Security of New Haven has declared a quarterly dividend of 30 cents a share payable Nov. 1 to stockholders of record Oct. 21. This represents an increase in the quarterly dividend from 25 cents to 30 cents in keeping with the board's policy of increasing the dividend as investment and underwriting earnings justify.

The directors also declared a 3% stock dividend payable Jan. 25, 1961, to stockholders of record Dec. 27. This is the fifth consecutive year that this dividend has been declared.

E. Clayton Gengras, president of the company, stated that preliminary reports indicate that earnings of the company will not be materially affected by losses from Hurricane Donna.

Gay & Taylor Opens New Offices

Gay & Taylor, adjusters, has opened three new offices at Mobile, Ala., Augusta, Ga., and Charlottesville, Va. The company has appointed Charles D. McDavid manager at Mobile, Vincent M. Davison manager at Augusta, and Landon K. Williams Jr. manager at Charlottesville.

Cites Ambiguity In Windstorm Cover

An examination of cases dealing with the scope of windstorm coverage indicates that the underlying principles and values of the standard fire policy have not been maintained under the windstorm section of the extended coverage endorsement. This view was expressed by Pinkney Grissom of the Dallas law firm of Thompson, Knight, Wright & Simmons in a talk to the insurance section of American Bar Assn. at its annual meeting in Washington.

The mass of conflicting decisions regarding the proper limits of the insurer's liability for damage resulting from a windstorm make it evident that it is the likelihood of litigation, not the certainty of interpretation and loss settlement, which has been substantially increased.

Moreover, a policyholder would find it extremely hard to believe that the scope of his windstorm protection was a matter of common knowledge, determinable without the necessity of consulting an attorney or insurance broker. Furthermore, at least some of the courts are not at all convinced that the fine print and sharp practices by unscrupulous insurers have been eliminated in the matter of windstorm coverage, Mr. Grissom noted.

He said that there is, of course, no infallible or instantaneous solution for preserving the objectives of the standard fire policy in the area of windstorm coverage. Even complete standardization of policy terminology will not suffice. Some lack of uniformity and uncertainty will necessarily occur despite similarity of policy wording. Thus, courts have reached divergent results even though the particular terms or phrases under construction were identical, such as "windstorm" or "direct loss by windstorm."

Substantial Step Forward

However, it is possible to take a substantial step toward maintaining at least the goals of certainty of interpretation and loss of settlement, reduction of litigation, simplicity and clarity of policy language, and preservation of good will, Mr. Grissom believes. It is no secret that insurers are at a distinct disadvantage when litigation is required over the interpretation of policy language. Indeed, this has given rise to a seeming rivalry between the courts and the insurers. Courts normally interpret existing policy language to allow the broadest possible limits of recovery, whereupon insurers change the terminology in question in an attempt to abrogate the effect of the particular decision.

By utilizing the same process in a prospective and affirmative manner—instead of awaiting a decision and then inserting new language designed to alter the court-imposed liability—the major objectives of the standard fire policy could be advanced. Specifically, the effect of the present terminology of the windstorm clause of the EC endorsement should be reappraised in light of the problems presented by past decisions which have considered the limits of windstorm coverage. Then, based upon this analysis, the precise intended scope of windstorm protection should be delineated clearly and explicitly in unambiguous terms.

Specific Suggestions

The possibilities for such clarification are, of course, as numerous as the problems themselves which have been manifested by prior windstorm cases, Mr. Grissom declared. For instance, the policy could expressly state that a "windstorm" is a wind of a certain measured velocity—or that it is merely a wind of sufficient force to damage the insured property, if that property were in reasonably good condition.

Similarly, reappraisal of the windstorm section might lead to express exclusion or assumption of liability for interior damage caused by rain, snow or dust entering the building through a man-made hole which was ultimately exposed by a windstorm. The extent of coverage for the collapse, during a windstorm, of insured prop-

erty which was defectively constructed or in a state of deterioration could also be expressly treated.

Moreover, Mr. Grissom continued, the policy might deal explicitly with the confusing and troublesome problems of successive and conjoining causes—adopting whichever of the divergent approaches in this area was deemed most desirable. In any event, such a clarification based upon a reappraisal of past decisions would enable the policyholder to know exactly what coverage he was getting, and would preclude assertions that the insurer was, by resisting a claim upon the interpretation of policy language, attempting to escape liability for its advertised coverage.

Difficulties Present

This suggested policy clarification based upon a needed reappraisal of past decisions will encounter numerous difficulties, Mr. Grissom believes. From a practical standpoint, insurers do not wish to affect the salability of their policies by encumbering them with a multitude of exceptions, exclusions and definitions. Moreover, such factors as state regulation (required administrative or legislative approval of policy changes), geographical differences, and competition between companies would have to be overcome to obtain a clearer and more definitive statement of the limits of windstorm coverage in all jurisdictions.

Because of these same barriers, it will most certainly be some time before any unanimity is achieved in regard to the scope of windstorm coverage. However, this span could be materially lessened—and the benefits of increased good will, certainty of interpretation and loss settlement, and reduction of litigation could be realized even more immediately—if there were a concentrated and concerted effort to define the scope of windstorm coverage in terminology such as that envisaged by the draftsmen of the original New York standard fire policy: Language so plain that it could be understood without the necessity for consulting a lawyer or underwriter to learn what the latest adjudications were.

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Group Of NYC Brokers Form 'Union' To Curb Cancelling

At a meeting in New York City sponsored by Kings County Insurance Brokers Assn., more than 100 automobile insurance brokers formed a "brokers union." Purpose, according to the association, is "to protect both the driving public and insurance brokers from being 'horse-whipped' by the major auto insurance companies. The form of organization was not disclosed but the announcement stated that it was "designed after the labor movement."

Major Purpose Told

Major purpose of the "union" is to effect changes, legislative and otherwise, that will reduce cancellations, described by the brokers as being "without cause."

Assemblyman Lerner spoke at the meeting and said he would sponsor legislation to ban the practice of insurers cancelling large numbers of policyholders "without adequate cause." Insured, he said, are being forced into the high surcharge, low coverage assigned risk plan.

City Councilman Kranis of Brooklyn told brokers he will introduce a resolution in the city council urging the state to promptly enact anti-cancellation legislation. Assemblyman Turshen of Brooklyn told brokers he will fight the practice of tie-in sales of fire insurance with auto coverage. Brooklyn and the Bronx pay the highest rates in the world, "an abominable situation," according to Assemblywoman Rayn of the Bronx. "The accident rate is not as high, in proportion, as the rates," she declared.

Brokers attended from throughout the metropolitan area.

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Allied Mutual Purchases Phoenix General Agency

Allied Mutual has purchased the E. E. Schumacher general agency of Phoenix. John F. Bloom has been transferred from Nebraska to the agency as field manager, and R. R. Walker has been shifted from the home office claims division to become resident claims manager. Mr. Schumacher will continue as manager.

The agency is slated to continue as general agency for Maryland National and Harford Mutual.

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Casualty Club Elects

Casualty & Surety Club of Buffalo has elected Frank P. Trumble, Seymour agency, president; Donald J. Gregory, assistant manager Indemnity of North America, vice-president; and John C. Travers Jr., Buffalo Fire Office, secretary-treasurer.

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St. Paul Agents Reelect Peolen

David Peolen has been reelected president of Independent Insurance Agents of Greater St. Paul. Howard Overmann was named vice-president and Casimir L. Cyptar was reelected secretary-treasurer.

Name Winners Of Youth Fire Safety Project

Jane Schlafer and Roger D. Moan have won the 1960 national youth fire safety project sponsored by National Assn. of Mutual Insurance Companies. They were presented with awards at the association's annual convention at Seattle.

The Baltic, S. D., boy has worked four years to gain the top award. He built a miniature farm model showing 35 common hazards and displayed it during Fire Prevention Week. Roger also demonstrated, "Fire Prevention by Inspection," at the state fair, constructed a thermostatic control fire alarm for entry in a science fair, and inspected local farms.

Girls' Division Winner

Top winner in the girls' division, Miss Schlafer of Stockton, Ill., inspected farm buildings, gave educational reports in her high school, and distributed to the farm families a list of things to do if a fire broke out.

The first place awards consisted of the Harry P. Cooper Sr. memorial award plaque, a check for $100, and an all-expense paid trip to Seattle to attend the association convention. Second place awards of $50 and plaques went to Julie De Tar, Clarendon, N. Y., and Gene A. Watson, Tipton, Ind.

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Industrial Indemnity Names Two

Industrial Indemnity has assigned Leo J. Coleman and Dale D. Tool to San Diego as underwriting manager and claims manager, respectively. Mr. Coleman joined the company in 1951 and has been special agent at Sacramento. Mr. Tool has been claims supervisor at Long Beach for four years.

United National Is New Pa. Insurer

United National, a stock casualty insurer recently formed with $150,000 capital and $75,000 surplus paid in, is in the process of increasing its capital to $350,000 and surplus to $175,000. Offices are at 1512 Walnut Street, Philadelphia. Initially the company will write automobile and general liability but plans to get into auto PHD and general fire business shortly. It will write standard risks but will consider unusual ones.

Raymond L. Freudberg is president and general manager. Albert B. Gerber and S. Harry Galfand, Philadelphia attorneys and financiers, and Mr. Freudberg are the principal owners of the Madison agency, which is the principal stockholder in United National. The three operated Empire Mutual of Philadelphia for nine years until last May 1. Mr. Galfand is secretary of the new company and Mr. Gerber general counsel. Arlin M. Adams, attorney, is treasurer. Directors include Eugene P. Higgins, insurance accountant; J. H. Pye Jr., agent and a member of the insurance staff of Temple University; Samuel Weinrott, president of Industrial Trust Co.; and Benjamin Stern, president of United News Transportation Co., prominent in the field of commercial trucking.

Mr. Freudberg, Mr. Gerber and Mr. Galfand in 1954 were among the organizers of Plymouth Mutual Life and have served that company as officers since its inception.

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Iowa Mutual Tornado of Des Moines has entered the homeowners field, it was announced at a meeting of agents. The policy will be sold only on properties in towns and cities.

Discuss Idea Of CPCUs Only As Agents

The idea of permitting only CPCUs to be licensed as agents was discussed during the clinic conducted by Louisiana 1752 Club at the annual meeting of Louisiana Assn. of Mutual Insurance Agents. Oliver L. Braud, New Iberia, La., agent, reports on the discussion in the Louisiana Dividend, the agents' association publication.

Suppose that legislation were adopted to the effect that an agent's license would be issued by the insurance department after April, 1963, only to CPCUs. The grandfather clause would be inserted to provide that all licensed agents then operating would qualify automatically.

The first reaction was negative, Mr. Braud noted. However, as the discussion continued, both support and opposition developed. It was evident that support might arise among both stock and mutual independent agents.

Among the arguments that were advanced in favor of the proposal were that it would definitely raise the level of insurance to a semi-professional level. Attorneys did the same thing years ago. Young men and women could decide on a career in insurance and educate themselves along those lines.

Would Eliminate Exams

Also, it would eliminate the examinations now required. Political influence in agency licensing would automatically be removed. The demand for CPCU courses would enable colleges and universities to expand their facilities to provide them.

The legislation would put a stop to indiscriminate appointment of agents by the insurers. Companies would be benefited by the grading up of representation. Certainly the public would be better served. Companies and the business as a whole could undertake projects not now possible because of poor training and equipment of many agents.

Arguments advanced against the proposal were that it would curtail the number of young men able to get into the business and consequently curtail company expansion; it would prevent an agent from leaving his business to a son unable or unwilling to obtain the CPCU designation; and it would reduce the market for agencies that were for sale. Field men would be forced to become CPCUs. It would tend to reduce competition. Personal lines do not need men with insurance knowledge but need good salesmen.

Mr. Braud added comments of his own in his article in the Dividend. He pointed out that men could engage in the business as solicitors without the CPCU designation.

Doctors And Lawyers

Many of the problems involved in effecting such a proposal were faced by lawyers and doctors. With a marked demand for their services, the CPCUs would be pretty well assured of employment upon graduation. The grandfather clause would take care of non-CPCU sons of agents up to the cut-off date. The market for agencies would be curtailed somewhat; however, most agencies sold today are sold to existing agents.

Also, he states, field men would not be required to become CPCUs. However, if they eventually had more CPCUs than non-CPCUs to call on, they might find it advantageous to become CPCUs. Mr. Braud doubts that the proposal would reduce competition. It might be necessary for agencies to become larger. The establishment of high standards in engineering, legal and medical professions did not eliminate competition through regulation. A beginning must be made.

Personal lines are more subject to mass selling, he observed. But all agents have experienced occasions where lack of knowledge even in these lines was embarrassing and in some cases dangerous. The automobile policies today, and the varieties of homeowners are not all that simple.

Aetna Casualty Names Thompson At N. Y.

Aetna Casualty has named A. Edward Thompson manager of the special risk division at New York. He succeeds Vincent E. Baldwin, who has retired after 37 years with the company. Otto Kaufmann has been named superintendent of the division.

Decries N. Y. Contingent Fee Ruling

(CONTINUED FROM PAGE 6)

court's power exists and may be exercised there, then it exists and may be exercised with respect to fees of all attorneys in all fields of the law.

Mr. Beckham conceded that the bar association's canons of ethics provide that a contract for a contingent fee, where sanctioned by law, should be reasonable under all the circumstances of the case, including the risk and uncertainty of the compensation, but should always be subject to the supervision of a court, as to its reasonableness. However, the power to supervise fees as to reasonableness does not include the power to set up an arbitrary standard of what will be presumed reasonable ahead of time. The circumstances must appear before their impact can be evaluated.

Consider All Circumstances

The canons in providing that a contingent fee should be reasonable under all the circumstances of the case, clearly require that any court supervising such reasonableness should consider all the circumstances of the case under consideration and make its decision on that basis. This obviously can not be done until after the case is concluded, Mr. Beckham declared.

Lawyers have traditionally undervalued their services, he continued. They have also had the problem of competitive fee cutting. Most bar associations have adopted minimum fee schedules to help with these twin problems by serving as a base below which lawyers should not go. Judicially unregulated contingent fees have not produced a prosperous bar. The bar of this country is currently engaged in an important program to help raise the income of the lawyers in order to protect the financial independence of the lawyer and his family and to make the profession equally as attractive as other professions to outstanding young people.

Lawyers' Earnings

This program has been found necessary in spite of the fact that approximately 70% of all litigation is handled on a contingent fee basis which is judicially non-regulated, except for the two divisions in New York.

Figures from the Statistical Abstract of the U.S. show that while, from 1929 to 1951, the employes of all industry had increased their average annual earnings by 131%, non-salaried physicians by 157%, and dentists by 83%, lawyers had increased their average annual earnings by only 58%. In 1951, which is the last year for which figures are available, physicians averaged $13,432, and lawyers averaged $8,855 a year.

"In this economic climate is it desirable, in an alleged effort to curb a small group of unethical practitioners, to suggest to the public that all lawyers who have contingent fee contracts in personal injury cases, are presumptively incapable of contracting for a fair and equitable fee?" Mr. Beckham asked. He wonders if it is desirable to demean, degrade and subjugate an entire segment of the bar, without regard to individual innocence or guilt, to correct the evils of a few when they could be remedied by other existing weapons.

Freedom Of Contact

Contingent fee contracts have been developed through generations of experience in a free economy, he went on. That they have been the subject of abuse in some instances is not an indictment, for this is true of all institutions. The latest tabulation which was prepared several years ago by the Institute of Judicial Administration does not give any cause for alarm. It noted that the fees range between 20% and 50%, the latter percentage being limited in most instances to cases involving appeals.

The vast majority of lawyers have not abused contingent fee contracts, and adequate machinery exists to deal with the overreaching few. Mr. Beckham believes that lawyers are entitled to the same basic freedom to contract as other men. They acknowledge that their relationship with their clients is fiduciary in nature and may be reviewed for evidence of overreaching or fraud, but they believe that this can be done only after the event, and subject to a review of all the circumstances involved. They believe that lawyers are co-officers of the courts with the judges and are not their subjects. Finally, attorneys deny that a New York lawyer, arguing cases before his "fee-setter", can exercise that freedom of speech, judgment and action which is demanded by the highest traditions of the bar, Mr. Beckham concluded.

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Murphy Named In Underwriting For Consolidated Mutual Of N. Y.

Matthew A. Murphy has been made assistant vice-president in charge of underwriting for Consolidated Mutual of New York. Mr. Murphy, formerly manager of the company's underwriting department, was previously a senior underwriter for Zurich. He is a member of the faculty of the New York City School of Insurance.

Expert Defends Auto Merit Rating Plans

LeRoy J. Simon, associate actuary of North America, has denied that auto merit rating is actuarially unsound. In a talk at the semi-annual meeting of Casualty Actuaries of Philadelphia he also countered the charge that merit rating plans call for highly selective underwriting.

Such selective underwriting would occur only if the rate level were inadequate either in certain classes or over the entire rate structure, he asserted. While some believe that merit rating has been accompanied by a general depressing of the rate level, inadequate rates have nothing to do with merit rating per se. When statistics are available, it will be possible to judge whether any of the merit rating classes had rates established initially which missed the mark from the standpoint of adequacy, Mr. Simon declared.

He noted that whenever an actuary is able to discern an objectively measurable characteristic that can be shown to have a significant effect on the rate, this should become part of the rate structure. What is "left over" is termed an underwriting consideration. Any factor that can be measured and applied equitably to all risks can properly be made part of a rate structure.

Class Plan Extension

Mr. Simon also said that merit rating is really an extension of the class plan. He defended other aspects of merit rating which have been attacked by critics and labeled these criticisms as "myths."

Rules When Carpet Isn't Part Of House

The question of whether carpeting was personal property or part of the building was decided by Oklahoma supreme court in favor of the personal property interpretation. The case was that of Hartford Fire vs Balch et al, CCH 10 (Fire & Casualty) 272.

Two insurers were involved. Hartford Fire insured the dwelling and New York Fire the contents. Insured returned home to find the carpeting in the halls and three bedrooms soaked with water, allegedly as the result of an explosion in the hot water system. The carpeting cost $686 to replace. The flooding also damaged the hardwood floors in the closets plus miscellaneous damage, all of which added up to $361. The parties waived a jury, and the lower court judge ruled for insured.

New York Fire contended that the carpeting was not personal property but was a part of the residence, that the rug pad was cemented around the edges and the rug was nailed with small cement nails under the moulding.

The appeals court upheld the opinion of the lower court that the carpeting was personal property. The small amount of glue used and the small tacks were to hold the carpeting in place and not to fix it permanently to the floor. Also, the supreme court held, insured did not intend the carpeting to become a part of the dwelling.

Both insurers argued that there was insufficient evidence to show that an explosion occurred in the hot water system. This contention was dismissed by both courts.

Hanson & Peterson of Oklahoma City appeared for Hartford Fire, and Sandlin & Daugherty of Holdenville for insured.

La. Defines Catastrophe For Rate Making Purposes

The fire division of Louisiana insurance rating commission has approved a 15% increase in extended coverage rates effective Oct. 1. The filing by Louisiana Rating & Fire Prevention Bureau was made in December, 1958.

In filing experience to support the rate increase the bureau used losses incurred in Hurricane Audrey of several years ago. The fire division contested the rate increase on the grounds that the rate structure contained provisions for catastrophe allowance, and it felt that Audrey losses should be paid out of the catastrophe portion of the premium, rather than being treated as ordinary losses.

As a result of a considerable amount of investigation by the fire division, it reached the conclusion that nobody knew specifically what a catastrophe was or how it should be handled in arriving at rates. Numerous other departments were queried on the subject and reported handling the matter in various ways.

With the approval of the new rates, the fire division of the Louisiana department specifically defined a catastrophe. The definition is to be used in the future for determining the level of fire and EC rates.

Provisions relating to catastrophe shall include a reasonable permissible loss ratio which takes a catastrophe factor not exceeding 5%, and an acceptable definition of catastrophe which excludes all losses in excess of not more than $100,000 per company per catastrophic occurrence.

Score 'Mail Order,' Supermarket Selling

(CONTINUED FROM PAGE 1)

retiring president, said in his opening address.

"It is the duty of the state supervisory officers in our insurance department to take immediate steps to protect the insurance buying public against the inroads of unscrupulous insurance companies," he said.

"Unless stopped, it may be only a short period of time until you find coin-operated policy dispensing machines in super-markets. You may also find insurance literature, policy applications and insurance counters in super-markets or other establishments where public traffic is heavy."

Public Would Be Loser

Not only would such activities be contrary to current state laws, he said, but the public would be the big loser. "There are many unsatisfactory results that will accrue to the insurance buyer at the time of loss because he purchased a price-tagged, restricted type of policy containing many provisions which will never be understood until the loss occurs and then it is too late."

An "opening wedge" in that direction, Mr. Johnson reported, is a travel policy currently being sold through the medium of Standard Oil Co. recommending the purchase of such insurance on company letterheads through their credit and service departments.

"The signature of an oil company executive on this letter announcing and/or soliciting the insurance certainly has the characteristics of aiding, abetting or assisting the sale of insurance," Mr. Johnson said. "This is in violation of Minnesota statutes, but it appears necessary that we prove our contention in order to have corrective measures taken by our state insurance department."

Commissioner Cyrus E. Magnusson said an all-out campaign has been launched by the Minnesota department against out-of-state companies flooding the state by mail with insurance sales materials that are "misleading and deceptive."

Has No Direct Control

"Unfortunately our department has no direct control over this situation because the companies are not licensed in this state and the federal postal system is not, of course, subject to state authority," he said. "However, we are indirectly attacking this problem with every weapon we can employ, and have alerted the insurance department of the home state of each such unlicensed company expressing our objections."

Regarding the Standard Oil situation, Mr. Magnusson said his department had carefully reviewed the program and had reached the "absolute opinion" that the oil company is offering only a service of billing and collection.

"Under existing laws, it is the conviction of the Minnesota insurance department that both of these operations (one offering credit life and disability insurance to purchasers of company products 'at no extra cost,' and the other involving a plan whereby credit card holders may purchase a travel-accident policy on a 'pay-later' basis) are proper, and the legality of such programs is clearly defined and established," Mr. Magnusson added.

"The Minnesota insurance department is keenly aware of the many advertising and promotional schemes that have been devised and created to promote the sale of insurance on what we believe to be an improper and degrading basis," he concluded. "We have denied and disapproved plans that would certainly have lowered the high standards the insurance industry has built up over the many years."

The companies's position on reduced commissions and direct billing was explained in a forthright address by Wayne Childs, vice-president of Great Northern, at a session for metropolitan agents.

"As to commission changes," said Mr. Childs, "the insurance business is subject to the same economic factors as any other business. Companies had to make more of the premium dollar available to pay losses. If a company did reduce commissions and not follow it up by a reduction in company operating expense, those commissions were unfairly reduced. Not at any time was there the plan by the company that a reduction in commissions would bring additional profit to the company. The plan demanded a cut in expense items on both sides and the major portion was taken by the company.

"No company will overlook the fact that the commission paid must provide a fair and reasonable compensation. The commission paid depends upon the market for the goods sold. Competition cannot help but dictate net incomes for all concerned. What future commissions amount to in percentages will depend upon the market for the goods that are being sold.

"When we pay a higher commission to buy from the agent business that is the so-called preferred business, business that usually on simple lines requires little servicing or salesmanship, then we add an expense that is not justified and we make it easier for our competitors to move in on this class of business. The compensation paid in commissions must be reasonable and fair to all parties."

Regarding direct billing, Mr. Childs said: "A great deal of this new direct billing business we find to be business previously insured with competitive direct writers. Some of it is a most excellent class of business. We must continue to ferret out the wise guy who misrepresents his past business, but that is all part of the business."

Simplification A Must

At a breakfast meeting Richard J. Layton, vice-president Rough Notes Co., told the agents that simplification of office work in the typical insurance agency is a "must" and that it can often be accomplished very easily by giving thought to better and less complicated ways of doing things.

"There is no mystery to work simplification," he said. "Just find the best possible way of doing any given job, and then do it!"

Traffic accidents on the nation's highways have grown to such an extent that the privilege of insurance protection has almost been taken out of reach of many buyers, M. A. Hewitt, association executive secretary, said.

"We must slow down the rate of traffic accidents and death not only for humanity's sake but also because of the resulting impact on insurance rates," Mr. Hewitt said. "The accident growth has reached such a point that some drivers must either buy inferior insurance protection or skimp on their protection, thus failing to safeguard adequately their investment and future income.

Integrity in the insurance business was stressed by William Peet, Minneapolis. "Integrity means to me your duty unswervingly to make the true

interests of those you serve paramount to immediate gain for yourselves," he said. "Integrity requires you in respect to the insurers you represent to render full and accurate information concerning all risks you would have them assume; to protect them from requests to assume risks you know to be uninsurable; to guard them against unwarranted depredations by either insured or claimants.

"Integrity requires you in respect to the insurance buying public to provide them with needed coverage against risks you know to be insurable; to recommend procedures which may reduce or even eliminate immediate gain to yourselves where such procedures appear to be in the insured's best interest."

Explains Farm Form

At a session for rural agents, Joseph M. Vetter, state agent for America Fore Loyalty group, explained the new amendments to the farm form in Iowa.

Paul H. Jones, national president, called upon local agents to avoid being "seeing eye dependents." He said: "Independent insurance agents should listen adequately, read thoroughly, and think carefully about our business, and then pass their conclusions on to others in our business. There should be an honest, factual search for improvements in the procedures and techniques of both the insuring companies and the agents."

"How can new policies and methods be devised to meet competition when the men on the firing line—the agents—are omitted from most planning and preparation," he queried.

Arthur R. Upgren, widely-known economist, told the agents that taxation, tight money and restraint in the rate of recent wage increases were the "three weapons" which have given the United States a stabilized economy.

"Taxation—complete, anti-inflationary, at times retroactive, and always stern and burdensome—was the great weapon in the fight against inflation, and the late Sen. Robert A. Taft and President Truman worked like they were on the same ball team in piling on taxes," Mr. Upgren said.

Only Federal Debt Hasn't Grown

"The job was done so well that we have had only two sizable deficits in the federal budget in the 15 postwar years and have had three sizable surpluses. Although every one knows the opposite to be the case, it is a fact that only the federal debt has not grown in the postwar period when every other kind of debt has expanded greatly."

As far as the second weapon—tight money—is concerned, he said "we have now been holding the rate of growth in our total money supply to amounts consonant, at a constant price level, to the rate of productivity gain in the economy."

"No excessive money creation, no inflation," he commented.

On the matter of levelling-off on wage increases, Mr. Upgren said that for 20 years the steel industry increased wages by an average 8% per year "and this helped greatly to produce inflation as we have experienced it in these same 20 years."

"Now we have seen the steel industry put a stop to this inflation act. Last January the increases in steel workers' wages for this year, 1961 and 1962 will be at the annual rate of only 3½%. This will help produce a growing economy without inflation."

As a result of these three factors, the economist added, "we have secured stability."

The importance of the national advertising program of NAIA was stressed. However, as far as supporting this financially, the Minnesota agents will continue contributing on a voluntary basis instead of being assessed for it as part of the state association budget.

The story of Insurance Information Institute and its objectives was related by Charles F. Simon, president of Minnesota Capital Stock Insurance Assn. "By the first of the year, we should see the program unfolding," he said. "The purpose is to obtain better public understanding and acceptance. The goal of the Three I is to handle the industry's problems, public relations and education."

NYFIRO Changes Rates, Forms And Rules On Offices, Institutions

New York Fire Insurance Rating Organization has reduced fire rates for certain office and institutional properties, effective Sept. 19. As a result premiums are reduced an aggregate of $448,793 for New York City and $589,921 for the remainder of the state.

In New York City, rates for offices are reduced up to 11.8% on masonry-walled constructions and up to 20% on fire resistive risks. Rates for churches are reduced from 15% on fire resistive risks to 25% on masonry-walled constructions. Rates for hopitals are reduced up to 13.3% on fire resistant buildings.

Outside New York City, rates are reduced 15% on churches of fire-resistant construction. Rates are cut 20% on protected schools with masonry walls, and 20% unprotected schools of frame and masonry construction. Rates are reduced 10% on frame, protected schools.

Rates for offices are reduced from 5% on fire resistive buildings to 25% on masonry-walled protected buildings. Under the form changes, use of a binder is optional and a list of revised standard forms was issued by NYFIRO.

Under the specific-insurance rule, a provision has been added permitting modification of the improvements and betterments form to recognize such improvements by a sub-lessee.

A provision has been added under the business interruption rule permitting an endorsement extending the period of indemnity beyond the date of restoration of the damaged or destroyed property.

Under the extended coverage endorsement rule, the occupancy index will include self-service, coin-operated gasoline pumps, laundromats, and vending machines. Appropriate EC and vandalism and malicious mischief grades have been provided.

In dwelling schedules outside New York City, farms are made eligible on the dwelling building and contents broad form. This form and the dwelling building special form have been revised to include a mandatory $50 deductible applicable to damage by lightning or by artifically generated electrical currents to electrical appliances, devices fixtures and wiring.

Three Named In A&S By American Casualty

American Casualty has appointed three A&S representatives at two branches.

At Chicago, John F. Mabry has been named field man, and Albert E. Brandt a group representative. Hal Watson Hooper has become field representative at New Orleans.

Agents Tell Account Selling Experience

(CONTINUED FROM PAGE 10)

deal of their coverage to several agents. In many such cases we have requested them not to renew policies with us, but to give them to some other agent, because we did not want to be in a position where we could not do justice to their account. In some few cases, this has resulted in our getting the entire account, and in quite a few others it has resulted in merely giving up what we had.

Can Carry Agents

I don't think that there is any one type of customer, other than small merchants, who are repelled by the idea of one insurance account. But many small merchants also welcome the idea. The only thing that is a little difficult for them is the fact that they have been buying insurance on a helter-skelter basis for many years, and they hesitate to put some paricipating agents out in the cold. We have gotten around this in some cases by agreeing to recognize a small amount of brokerage from licensed agents, or in some cases to carry the other agent for one, two, or three years, following which the business will be all ours. There are many ways to persuade people to embrace an over-all program, and to place it "with you to the elimination of the other fellow."

When customers argue against the one account principle, they not only mention reciprocity, but the fact that they have a relative in the business.

I don't believe as many problems are met in underwriting accounts as in underwriting in general. Most of the companies today are glad to have accounts underwritten. One difficulty sometimes arises because a multiple line insurer will take all the WC, liability, automobile, etc., but is unable —because of a capacity problem—to take all of the fire insurance that may be involved: Building, contents, the U&O etc. In such cases, agency or facultative reinsurance must be used.

We try to place just about every account with one company. There are some exceptions to this rule. For instance, with our trucking companies we usually find that we receive better underwriting and better treatment on our bailees policies if we use the services of a marine specialty company. On our other lines, liability, compensation, etc., we use our major company. The only objection that some companies have to the whole account is that they do not write a certain type of risk which is involved. For example, you may have a special deal involving a certificate-type policy for warehouseman's liability, and other coverage for this type of risk. An agent's major company may not have facilities for such a risk. In that case, the agent has to use other companies for these coverages, but he continues to place the public liability, WC, boiler and machinery, bonds, etc., with the major company in his office.

Company Aid

I don't think that customers in general know or care if their account is placed with one company. Once they are sold on the idea of an agency handling the entire account, the agent can almost place the business as he wishes. Most insured are content to let the agent work out the details, once they have placed implicit trust in his service, honesty, and insurance ability.

Field men have never helped us in any account selling, but only because we haven't needed such help. All our salesmen have previously worked in specialized capacities for insurers, and we never call upon a company for sales help. We prided ourselves on practically never taking a field man of any company to visit risks. We take an adjuster on claims occasionally or a specialist when we are involved with a rather difficult boiler and machinery inspection or some similar problem. Company help is also used in connection with valuations on public buildings, school board property and other risks.

* * * *

A leading agent in the midwest writes:

We try to cover fire, casualty, marine and surety in our large metropolitan area where a degree of specialization is possible and, we believe, wise. We understand that the situation in a small town makes the inclusion of life insurance more logical and perhaps increasingly necessary.

We have investigated the life insurance question ourselves. This leads us to observe that in most large agencies in large cities it is a separate department staffed by specialists. We have been advised that if we were to enter the life field, we would do better by creating a separate, affiliated agency for the purpose.

Account Defined

Our experience with account selling to individuals—and not to commercial or industrial accounts—and not including life, A&S, and hospitalization, is summed up below.

A good candidate for an account is a family man, occupation already established, and with roots in the community. He is probably from 26-35 and with income from $6,000 up.

The account usually starts with an automobile or household goods policy. Adequate automobile limits are the hardest to sell; household goods or dwelling policies are the easiest. Since we are an old, established office, our best leads come from relatives, business associates, and employers presently on our books. We cement these relations with personal contact. This is time consuming but is still the best way to build a life long relationship. Personal contact is supplemented by occasional direct mail that emphasizes the agency and not the company name.

The best argument for getting the policyholder on a full account basis or headed in that direction is to point out the convenience and sense of security he will get from dealing with one office in all matters relating to all property and property rights and responsibilities. We emphasize that this gives his account status in a substantial insurance office, contrasted with scattering his business among several. Everybody's business is nobody's business.

Customer Types

Customers most attracted to the account idea are those eager and busy with their own careers and progress, whose sights are well elevated. Those repelled by the idea generally are persons who take a small view of their own prospects and feel a desire to distribute a small account among as many friends as possible.

The clients who argue against being a full account say they want to favor relatives, lodge brothers, church members and neighbors.

Lately, they go out to shop for auto cover at the cheapest price.

As to underwriting problems in account selling, we have lost desirable fire business because of our inability under certain circumstances to place plate glass or public liability in a seriously blighted neighborhood.

Field men have not helped in our selling of accounts but this is due to our emphasis upon agency and our readiness to bear all our own expenses including stationery, blotters, advertising, and phone calls.

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Merrimack Mutual Names Briegal, Nason In South

Executive Special Agent Kenneth M. Briegal has been promoted to manager of the south central department at Shreveport, La., of Merrimack Mutual Fire. He will be assisted by John T. Nason as special agent at Baton Rouge for Louisiana. Mr. Nason has been with General Adjustment Bureau as an adjuster and with Miller, Nason & Alexander agency of Baton Rouge.

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Wickard Joins Crum & Forster

Jay Wickard, formerly with American at Los Angeles, has joined Crum & Forster as special agent at Portland, succeeding Jack Chadborne, who has been transferred.

Glens Falls Steps Up Premium Financing

In all states except Texas and the Pacific coast territory, Glens Falls is making available to agents its expanded and simplified premium finance facilities through Glenway Corp., an affiliated firm.

Gordon S. Barnum, vice-president of Glenway, has been appointed to direct the operation of the expanded organization. He has been active in the group's premium financing since it was first initiated in 1936.

Glenway will handle small, individual premiums or entire accounts, regardless of the number of companies or agents participating. The plan contemplates prompt payment of the financed premium to the agent, thus making full commission available to him soon after the policy is issued.

In its kick-off campaign, Glenway is offering Glens Falls agents an extensive array of advertising material, which includes everything from radio commercials to multi-colored window posters. A new descriptive folder has been designed which is easy for the agent to carry with him and to use in determining payments, in preparing finance papers and in finding answers to questions confronting him.

Composite And Average View Of Michigan Agent

Smith Reviews Mich. Results In NAIA Agency Cost Analysis

GRAND RAPIDS—A view of the Michigan agent from the standpoint of averages was offered by Lawrence F. Smith, Stamford, Conn., agent and former director of research and development of NAIA, in his presentation at the convention of Michigan Assn. of Insurance Agents here, of the results of the agency cost survey in this state.

Of the results he had available to him, Mr. Smith observed that Michigan occupied an outstanding position. Furthermore, there was a remarkably good response in Michigan to the postcard survey and a 100% response to the detailed survey of 118 agencies.

The average Michigan agent has $100,000 in annual premiums, Mr. Smith reported, with 1.4 principals per agency, 2.2 clerical office employes, and a market area having a population of 422,700.

Breakdown Of Volume

The figures, based on 1958 results, show that in Michigan, 19.6% of the agents have an annual premium volume of $50,000 or less; 30.4% are in the $50,000-$100,000 range; 19.9% from $100,000 to $150,000; 14.9% from $150,000 to $250,000; 10.9% from $250,000 to $500,000, and 4.3% from $500,000 to $1 million.

The detailed report from 118 agencies indicated that commission income is derived 38.2% from automobile, 32.0% from fire, 9.1% from homeowners (and Mr. Smith said this is a fast-growing item), 7.2% from miscellaneous casualty, 5.2% from bonds, 3.3% from workmen's compensation, 2.5% from A&S, 1.8% from marine and .6% from commercial package policies.

Of the $100,000 annual premiums received, $76,860 goes to the companies and $23,140 to the agents as gross commissions. Immediately there is subtracted $700 which goes to subagents, and the $22,440 commission income left to the agent goes to pay his expenses and provide whatever profit may exist. In the case of Michigan agents, the profit is 2.9% or $2,930, the largest amount of any state surveyed so far and the fourth highest in percentage.

Highest Rate Of Commission

Mr. Smith observed that Michigan has the highest rate and amount of commission income of any state on which the results are in, with a 22.4% rate arising from the $22,400.

Expenses of internal operation total $7,960, the biggest items being $4,040 for office salaries and $1,080 for rent and utilities. Sales and service expenses come to $3,960, with $1,710 going to sales salaries and $1,110 to automobile expense. Michigan runs highest by far in amount spent for advertising, $750.

The third item of expense, administration, comes to $7,590, of which $6,990 goes to management salaries. This is divided, Mr. Smith pointed out, on the basis of there being 1.4 principals per agency.

The general, sales and administrative expenses of $19,510 leave the agent $2,930 as his profit from the business.

The percentages, Mr. Smith commented, are all based on their relationship to total premium income, not commission income. He said NAIA has been attempting for some time to make this point, that the agent's profit should not be predicated on his commission income but rather on his gross sales. This is the way it is done in other businesses, he said. If the $2,900 of profit were matched against the $22,400 of net commission income, the percentage would be closer to 13 and it has long been regarded this way. Mr. Smith said it is not fair to say the agent is making 13% of $22,400, he is making 2.9% on $100,000.

'Composite Agent' Had Volume Gain, Steered Clear Of Direct Billing

GRAND RAPIDS—One of the interesting features of the convention here last week of Michigan Assn. of Insurance Agents was a statistical presentation of the "composite Michigan agent" as revealed by the answers to 11 questions to the members sent from the headquarters office.

Jack Butterick, assistant secretary, had the responsibility of making the numerical answers sound like more than one statistic on top of another, and he did his usual fine job. In fact, Mr. Butterick has become so popular in his few years as assistant to Hildy, that he received applause as he approached the platform.

The results of the Michigan survey are unusually interesting in that they represent nearly a 50% response, a phenomenal return even for a trade association—20% is considered very good in most quarters.

Here Is Composite

Based on the returns to the 11 questions, the so-called "composite Michigan agent" in the last year

—Converted nearly all, or else practically none, of his auto business to a merit rating plan.

—Received merit credits on 80% plus of the accounts using a merit plan.

—Has very few debited risks under the merit plan.

—Used the restricted auto policy hardly at all.

—Used continuous policies only rarely.

—Avoided direct billing "like poison."

—Increased his auto premium volume about 8%.

—Increased his gross premiums about 12%.

—Used the homeowner deductible sparingly.

—Had a 10% increase in his expense factor.

—Managed to get an increase in net commissions of 8%.

Mr. Butterick's composite man grew out of the specific answers to the 11 questions. In detail, the answers were:

1. Conversion of auto renewal accounts to merit rating of any kind. 53% of those answering converted none to 25% of their business in this fashion, and 90% of the 53% converted less than 5% of their business. 12% of the agents converted 25 to 75% to a merit plan, and 35% converted 75% to all of their business, the average in this category being 85% conversion. It was pointed out that the 53% who converted none to 25%

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Mich. Commissioner Takes Agent Attitude, Industry PR To Task

GRAND RAPIDS—Commissioner Frank Blackford of Michigan made two addresses before the annual convention of Michigan Assn. of Insurance Agents here last week. In one he said the most serious problem, in fact the crisis, of the insurance industry is the "almost miserable job of public education" that is being done, and in the other he said the American agency system is "disintegrating," largely because, in his opinion, agents seem to feel a marketing preserve should be carved out for them and protected by the good graces of the insurance departments.

Themes Not Popular

The agents did not take to these themes enthusiastically. Mr. Blackford's first talk was given before the executive committee at a dinner before the formal opening of the convention. His second appearance was, at his request, as the principal speaker at the opening session. In one of the talks he referred to himself as a Paul Revere of insurance, offering a warning of dire things to come if changes were not made in action and attitude.

The commissioner, who has been in office for two years but for political reasons has yet to be confirmed, also has yet to achieve a rapport with Michigan Assn. of Insurance Agents. The applause Mr. Blackford received when he was introduced and at the conclusion of his talks was no more than polite. This was in marked contrast to the near cheers given former Commissioner David Forbes who was attending his first convention in some time and who ranks perhaps top in popularity.

Warns Of Crisis

In his talk to the executive committee Mr. Blackford made it clear that what he was trying to do was get on record as issuing a warning about a "crisis in insurance." Whether anyone did anything about it or not, he said, was immaterial to him—he was simply commenting.

Some recent landmarks in the business, such as the O'Mahoney report and the Forand bill, which raise the issues of state vs federal regulation and the intrusion of government into the insurance business, are not the crises or the great problems they are made out to be, the commissioner declared. Neither are such matters as homeowners revisions, deductibles, automobile rating. What is more important is what brings these things about, and this is the failure to educate the public to the values of insurance.

Complaints On Increase

Mr. Blackford said that every day he receives more indications of a "substantial lack of public confidence" in the insurance business. There are complaints that the industry cannot do the job, not only in the hospital and medical field but in automobile and even in the whole fire insurance line. He said he hears this increasingly. The volume of complaints to the Michigan department coming in by mail, in person, or by telephone is increasing and the staff has had to be expanded to cope with them, he said.

He admitted that only one in 20 of the complaints are justified, but of the

(CONTINUED ON PAGE 30)

Mich. Agents Name Rogers President At Annual Parley

Agency Operations, With Electronic Overtones, Featured

By JOHN BURRIDGE

GRAND RAPIDS—The spotlight was on the practical functioning of an insurance agency at the annual convention here last week of Michigan Assn. of Insurance Agents. The talks centered on the vital, but usually dry subjects of accounting, bookkeeping, record keeping of all sorts, and despite the failure of this reporter to grasp a fair amount of what was said in this area, the meeting definitely was a success.

The agents received information and ideas, particularly along the lines of electronics and the possibilities of a reasonably broad introduction of automation to the agency operation. Lawrence F. Smith, former director of research and development of the national association and now with the Smith agency of Stamford, Conn., had the most exciting message in this line, revealing some of the experiments that NAIA is conducting in hopes of developing a system that will introduce IBM operations for both agent and company.

Good Attendance Despite CPCUs

Registrations at Grand Rapids were in the neighborhood of 500, and that has to be considered excellent in view of the competition at the other side of the state of the CPCU national convention.

The new president of the Michigan association is F. Loren Rogers of Ontonagon. He succeeds William T. Dobson of Ann Arbor, one of the most able and most popular presidents Michigan has had. Mr. Dobson is an exceedingly fine presiding officer and he has steered the association through a year of bumps and bruises from auto merit rating to homeowners with a minimum of injury or confusion.

Mr. Rogers moved up from vice-president and is succeeded in this position by Stuart W. Doty of Grand Ledge, who has been treasurer. Robert S. Latham, with the endorsement and active support of the Dearborn association, was elected treasurer.

Executive Committee Election

Named to the executive committee for three-year terms were: Benjamin H. Paddock, Detroit; John E. Youd, Wyandotte; Philip J. Braun, Flint; John G. Molhoek, Grand Rapids; W. Ralph Nuttall, Standish; John P. Old III, Sault Ste. Marie, and Arthur J. Goulais, Escanaba.

W. O. Hildebrand is secretary-manager of Michigan association, and has as his assistant Jack Butterick. They comprise an outstanding team. Between them nothing is overlooked. As he left office, Mr. Dobson pointed out that one of the problems of the outgoing president is "how eloquent can you get in describing Hildy's value to the association."

The officers, executive committee, conference committee and public relations planning committee had an executive meeting the evening before the first session, the one announced result of which was the decision to reaffirm

and maintain the constitutional provisions for membership. This apparently is intended to discourage eligibility of mutual agents.

Samuel Gray, New York Underwriters, with Philip L. Reno, Wayland, at the piano, opened the meeting with the singing of "America," and the invocation was given by John Molhoek of Grand Rapids. Howard W. Blodgett, president of Grand Rapids Assn., offered a brief welcome.

McCaffrey Lead-Off Speaker

The first speaker was the state director, M. Frank McCaffrey of Detroit, who is Michigan's powerful and respected representative on the national scene. He reported on the midyear meeting of NAIA at Cincinnati, commenting on a number of the accomplishments of the national association, from its Washington legislative efforts, dealings with the companies in order to minimize confusion in policy and form changes, to the national advertising program (which Mr. McCaffrey said he feels could be supported by an annual fee on all members).

The agents know that Mr. McCaffrey is representing them effectively both to the national association and in dealings with the companies. He received a rising vote of thanks at the conclusion of his report.

The Michigan association is in a healthy financial condition, Stuart Doty, the treasurer, reported. At the end of the fiscal year the association was on the plus side of its budget, helped by the addition of 294 members who voluntarily increased their dues a total of $6,600, and the addition of 61 new members. After the loss of members by death, merger and reduction of dues, the net increase in dues income was $6,100.

Raised $41,900 For Big I

Mr. Doty reported that Michigan raised $41,911 in cash for the Big I advertising campaign this year. He pointed out that this was one of the best showings of any state and, while not as prompt a response came from Michigan as some others, the money was entirely cash and not pledges, so that Michigan's end product was all the more impressive.

The address of Commissioner Blackford, which is reported separately, was the main item on the morning agenda. At its conclusion, Mr. Dobson said he felt a rebuttal in behalf of the agents might be in order.

The commissioner, speaking to the executive committee the night before and in his scheduled convention talk, criticized insurance public relations and by implication accused the agents of calling for help rather than taking the initiative to preserve the agency system, which he described as "disintegrating."

The agents aren't pushing the panic button, they are on the offensive, and they believe in their system of distribution, Mr. Dobson declared.

Ask No Favors

"We ask no favors from you, commissioner, or from our competitors," Mr. Dobson said. The agency system, he added, is responding successfully to the test of competition. In Michigan the agents are using the Big I advertising, the state has the finest insurance educational program in the U. S., the reference manual put out by the association is the accepted basis of study for the agent examination and is a means of upgrading the quality of those who come into the business, the state has an information service with a speakers' bureau that is disseminating the story of insurance, the association has distributed 100,000 copies of a booklet entitled "Understanding Automobile Insurance" to high school students as a means of acquainting them with their responsibilities in regard to rate making.

The public often misjudges the business, Mr. Dobson admitted, and is unaware of how much is done beyond the contract. He mentioned that hundreds of field men and adjusters from the midwest are now in Florida and on the east coast adjusting losses from hurricane Donna.

Mr. Dobson also made it clear that the association had no intention of giving up on the auto dealer issue.

Auto Dealer Agency

The department has agreed to license agencies formed with the dealer's wife as principle stockholder. This avoids the law which does not permit the licensing of an auto dealer as an agent. The agents maintain this is a transparent dodge and they wonder who is going to produce the business for this "agency." If the dealer's insurance business were restricted to lines growing out of the sale of an auto—auto physical damage, auto liability and credit life and/or A&S—the agents probably would be satisfied, but the type of agencies which have been formed would permit the dealer to write coverage on his own property and exposures and otherwise branch out into the insurance field.

Under the title "Modern Agency Operations" the first afternoon's session was chiefly devoted to the intricacies of internal procedures with emphasis on electronics. Howard G. Downing, Flint, and David G. Chapman, Lansing, had top billing, Mr. Downing describing how he has his bookeeping done electronically by mail at the cost of one-half a girl a month.

Strong Subs For Chapman

Mr. Chapman's talk was given by Carl L. Strong, coordinator of insurance education in Michigan State University. Mr. Chapman was unable to attend this meeting. This presentation covered a $4,000 tailor-made machine for the Mourer agency that performs most of the functions of a cash drawer combined with a bookkeeping system. Mr. Strong recited the accomplishments of the machine first, piquing the agents' interest, and then announced the cost and that, for the most part, was that.

More of the machine operation of an agency was offered in the talk of Lawrence F. Smith at the final general session. After he had run over the results of the Michiganders in the NAIA cost survey, Mr. Smith, the recently resigned director of research and development of NAIA, described the organization's investigations into possibilities of coordinating an IBM system through which can be channeled the records and bookkeeping of agent to company and company to agent.

IBM Pooling Plan

Although agents can't afford IBM setups of their own individually, a pooling arrangement is possible, Mr. Smith pointed out. In larger towns the agents could get together and rent IBM equipment in a local pool. In smaller towns their records could be mailed to a central station for processing, and the larger agencies could have their own. There is also the possibility of using teletype records, taping the information in the office on a rented teletype machine and sending it direct to the IBM headquarters.

These ideas had a startling effect on the Michigan agents. They were obviously new to everyone in the audience, and they offered, among other things, one way to avoid direct billing. Many other advantages of making electronic processing available to agents were described by Mr. Smith, but this reporter's absence of background on the subject of agency accounting proved fatal when attempting to follow the details. Mr. Smith's analysis of the Michigan cost survey is reported separately.

The convention concluded with a luncheon at which Mr. Dobson gave his report and the new officers were elected.

The president's review of the year covered a wide range of activities, but except for the auto dealer problem there were no crises. The effective work of the headquarters office is largely responsible for the smooth sailing the Michigan association enjoys, Mr. Dobson pointed out. He commented on the availability of the speaker's bureau of Michigan Insurance Information Service, the absence of reference to commissions in the public property filing, the success Michigan has achieved in rounding up money for the Big I advertising campaign, the remarkable achievements of W. O. Hildebrand as a lobbyist in the state legislature, the pre-eminent position Michigan has attained in the field of agent education, and the assured future of the agency system in the hands of career agents.

He reiterated the association's opposition to the auto dealer licensing program, remarking that Mr. Blackford had indicated the agents have implied they want a preserve carved out for them as a sales market, but "nothing could be farther from the truth," Mr. Dobson said. The agents believe in the open market with the customers deciding what is best.

The chairman of the nomination committee was John V. Clements of L'Anse, who is the Republican candidate for auditor general of Michigan. After the election he presented a souvenir gavel to Mr. Dobson.

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J. Neal Jiroch has been appointed Oregon manager of Landis, Pelletier & Parrish general agency, replacing Ivar Anderson, resigned.

Composite View Of Mich. Agent Told

(CONTINUED FROM PAGE 28)

of their business to a merit plan was indicative, but not a positive identification, of the agents using, or as the case may be, not using, bureau companies.

Other answers:

2. Merit rated risks producing a credit—0 to 25%, none; 25 to 75%, 20%, and 75 to 100%, 80%.

3. Merit rated risks producing a debit—0 to 25%, 80%; 25 to 75%, 20%, and 75 to 100%, none.

4. Use of bureau special type restrictive auto policy—none.

5. Agents using a continuous policy (either renewal certificate or true continuous policy, the distinction not being made clear in the question)—0 to 25%, 79%; 25 to 75%, 9% and 75 to 100%, 12%.

6. Agents using direct billing—None to 25%, 91% (and of this 91% the average use of direct billing is at the rate of about 5%); 25 to 75%, 5%, and 75 to 100%, 4%.

7. Use of homeowners deductibles—On more than 50% of policies No. 1, 3%; on numbers 1 and 2; 7%, and none or rare, 90%.

8. Auto premium volume—Increased up to 10%, 40% of the agents; increased more than 10%, 15%; remained the same, 30%; went down as much as 10%, 10%, and was down more than 10%, 5%.

9. Gross agency volume increased up to 10% for 48% of the agents; increased more than 10%, 28%; remained the same, 12%; was down as much as 10%, 10%, and down more than 10%, 2%.

10. Agency expense—Increased as much as 10%, 42%; increased more than 10%, 16%; remained the same, 33%; decreased 1 to 10%, 5%, decreased more than 10%, 4%.

11. Net commission income—increased up to 10%, 39%; increased more than 10%, 11% (mergers helped here); remained the same, 26%; decreased to 10%, 19%, and decreased more than 10%, 5%.

Mr. Butterick said the questionnaire also asked for comments and more than 300 responded. The three most numerous remarks were:

—Criticism of using traffic violations in merit rating.

—Criticism of the new new homeowners, especially the cumbersome method required to eliminate deductibles.

—Criticism of the means employed to reduce commissions (by phone call or form letter) which was apparently more difficult for the agents to stomach than the commission cut itself.

Vandalism Loss Deductible

The U. S. tax court has ruled that a $1,573 vandalism loss, uninsured, is deductible under the federal personal income tax. In so ruling, the court negated a decision by the commissioner of internal revenue. The case was that of the Davises vs Commissioner.

The Davises, residents of Mojave, Cal., returned home in March, 1953, to find that vandals had broken into the house being constructed for them and damaged a stove, washing machine, dryer and deep freeze. The commissioner claimed the loss did not represent a casualty loss within the meaning of section 23(e)(3) of the 1939 code. But the tax court held that the loss was caused by agencies outside the control of petitioners, was sudden in nature, and destructive in effect. Consequently, it is of a class of loss that is deductible.

Blackford Takes Agents, PR To Task

(CONTINUED FROM PAGE 28)

19 that are not justified there are still 19 persons dissatisfied.

This crisis of insurance is not just a subject of oratory with him, the commissioner said. He revealed that part of his concern is founded on the fact that the public makes no distinction between branches of insurance or even branches of insurance and its regulatory body, the state insurance department, and that what reflects on the business reflects on the reputation of the department.

He recalled the hearings he held on Blue Shield-Blue Cross rate increases, saying he was sorry he didn't ask the agents to attend to listen to what the citizens have to say about the insurance business.

Can't Wait To Take Action

The rapidity with which events occur today, Mr. Blackford declared, means that this problem of communication cannot be held over for the next generation of insurance people but should be acted upon promptly.

He told the agent leaders that he is not particularly concerned with whether they agree with him or not, his feeling being that time will demonstrate that his story is much more representative of the situation than what some may wish it to be.

Mr. Blackford's formal convention address was entitled "The Future of the American Agency System As I See It." He said millions of dollars of insurance is being written in banks, at airports and in such sundry places. A concern over this turn of events is natural, he said, because it brings up the question of what it means to the future of the agency system.

But, he warned, those concerned should not base their hopes on the fallacious concept that the system can be preserved by any department of insurance—only the industry itself can do it.

System Worth Preserving

The agency system is worth preserving and it can be, the commissioner said. But the problems are difficult and the department has its primary responsibility to the public. Its limited staff and limited budget makes it impossible to give too much attention to internal problems of the industry. Some people feel, he observed, that the department is contributing to the problems of the agency system, but Mr. Blackford said the hand of progress cannot be turned back.

For example, he said, he knew the new new homeowners had fishhooks in it, but it had to be evaluated on the basis of whether it promoted the public interest, whether the public wanted it, and whether it is good for the business.

Meet The Challenge

He advised the agents not to cry over competition but to meet the challenge. The department cannot help in this area, he said. There are those who say there are dangers in unbridled competition, but he wondered where boundaries could be established and how competition could be circumscribed.

An insurance purchase requires personal contact, Mr. Blackford said, and that is the great asset of the agency system. He said the survival of the system depends on modifying it to keep in step with the tempo of the times, a reshaping so as to make it reflect the 1960s. He is "not very sympathetic with those who go on

the defensive," urging leadership in the agency ranks to take the offensive to strengthen the system. The capacity of agents to provide leadership must be demonstrated, he declared. The evidence he sees, he added, leads him to believe the system "is disintegrating."

Some of the commissioner's comments about not running to the insurance department took on added meaning when he said he would attempt to answer the question of why the insurance department is licensing auto dealers.

In the first place, he said, the department is not doing that because it cannot by law. However, some proposals have been made, one of them that an agency with the minor children of the dealer as stockholders be set up. The department would not allow this because the children were not separate legal entities and would be under the influence and direction of their parents. Then it was suggested that the wife become a stockholder, and because the law says that the wife is a separate and distinct legal entity, the department is permitting this. Mr. Blackford said it has already been done in several cases.

Doesn't Have Authority

He said he doesn't have authority to make an administrative ruling in this matter but that he must follow the law. He admitted that it could be carried into other businesses, such as jewelers. He said the question has been before the department for nine or ten months and that it poses, by ramification, serious problems of enforcement.

He told the agents he could not refuse to license the agencies set up by auto dealers' wives and be taken to court because he would lose the case for acting without authority, and has been so advised by his attorneys.

"If you want an answer to this problem you must look to the legislature," he concluded.

La. Has Deviation Form

The fire division of Louisiana insurance rating commission recently adopted a form to be used for furnishing information to support renewal of deviations. The form provides for filing the experience for Louisiana and countrywide for premiums earned and written, losses and loss adjustment expenses, and other expenses incurred over a five year period. Forms are to be filed with the fire division at least 45 days prior to expiration date of the deviation.

The same form is expected to be adopted by the casualty division.

North America Issues New Employe Magazine

North America has issued the first edition of its new employe publication, INA World.

Looking for a unique way in which to present the new magazine to its more than 9,500 employes throughout the world, the company arranged to deliver the first issue simultaneously to all employes. Through the services of Air Express International, Boeing 707 jets carried the first issues of the INA World to the company's offices in London, Madrid, Nairobi, Singapore, Sydney, Hong Kong, Tokyo, San Juan, and Sao Paolo, as well as throughout the U.S.

With each issue was an explanatory letter to all employes from John A. Diemand, president. Mr. Diemand's letter was translated into nine languages which included Canadian-French, Spanish, Brazilian-Portuguese, Dutch, Italian, Afrikaans, Chinese, and Japanese. These were sent to the appropriate offices representing North America in 20 foreign countries.

The INA World is designed to inform company personnel on all current and future operations; to maintain and improve the high morale of personnel; to recognize individual achievement; to show that insurance is an exciting, rewarding, and satisfying career; and to speak for management with honesty and candor.

The INA World will be published six times a year and will be produced by the public relations and advertising department under the direction of Samuel R. Boggs II, editor; Stephen R. Lawrence, associate editor, and Patricia K. Lockhart, assistant editor.

Standard Accident Names Minteer To Health Unit

James I. Minteer has joined Standard Accident as chief underwriter of the health department. He has had six years of health underwriting experience with Occidental Life of California and Allstate.

D. C. Women Hear Sales Talk

Insurance Women's Club of Washington, D.C., at its September dinner and business meeting heard Mrs. Helen Ver Standig, executive vice-president of the public relations firm of M. Belmont Ver Standig, speak on ways of selling insurance.

Mrs. Ver Standig is Washington's "Advertising Woman of the Year" and is the first woman to be elected to a council chairmanship of American Assn. of Advertising Agencies.

Berry Wins 1960 Medal Of N. Y. Broker Unit

J. Raymond Berry, general counsel of National Board, has been named the winner of the 1960 gold medal award of General Insurance Brokers Assn. of New York for the most meritorious service to the business. He was selected by a committee of past winners, with J. Victor Herd, chairman and president of America Fore Loyalty, as chairman.

Presented By Johnson

The award will be presented to Mr. Berry by Holgar J. Johnson, president of the Institute of Life Insurance, at the annual dinner of the association at the Statler Hilton in New York Oct. 26. Mr. Johnson was the 1959 winner.

Mr. Berry joined National Board in 1942 as assistant to J. H. Doyle, general counsel, and on the latter's death in 1943 succeeded him. Mr. Berry has been a leader in preparing the case for stock property insurance in connection with the Senate anti-trust and monopoly subcommittee hearings. He was on the all-industry committee which worked with National Assn. of Insurance Commissioners in the development and adoption of a program to preserve state regulation. He is currently studying possible modification of that program in the light of multiple line developments.

In Me. For Hartford Fire

Peter J. Wedge has joined Hartford Fire as special agent at Bangor, Me. He entered insurance 12 years ago and was in claims adjusting and sales work in Boston and the Maine area.

Donna Losses Spread Across Industry

(CONTINUED FROM PAGE 1)

bashed and the trailers in a trailer park there were demolished. An estimated 90% of Bonita Beach was destroyed and the trailers in a park there were wind-driven into a mangrove swamp. At Page Field $200,000 worth of airplanes was destroyed. One Fort Myers agency received 232 claims in one day for losses totaling $1 million. Most of the stores lost plate glass, even where windows were boarded up, and suffered severe rain damage to the interiors.

The cost of Donna is difficult to estimate because of its geographic spread and because losses are probably more widely distributed over the industry than was the case in any previous big blow. For example, the mutuals have moved into Florida strongly in the past 10 years and will pick up an estimated 20% of the tab for that state. Mutual Fire Insurance Assn. of New England has opened a special storm office in the Alhambra Hotel in Miami with Frank Poston, southeast claims manager at Charlotte, in charge.

Marine losses are not included in any of the "official" estimates and automobile losses are not included in one such estimate. There are thousands of boat losses.

On Long Island, for example, dwelling properties were lightly hit but hundreds of boats were lost, sunk, or damaged. Most of the boat losses from Florida to Maine were of smaller craft. The big yachts rode out the storm fairly well. There is a vastly greater small boat population all along the hurricane's course than in any previous storm. The total from this source will run into the millions. Heavy flooding produced marine losses from Fort Myers to Boston. For example, the insurers lost $300,000 in a sugar warehouse in Brooklyn that was inundated.

The spread of the loss is well illustrated by the experience of insurers specializing in mobile home coverage. These companies write a mobile home policy that follows the auto PHD form but is broader so that the trailers damaged or destroyed by Donna from Florida to Maine were covered whether they were bashed by wind or water.

Trailer Losses $10 Million

An informed estimate of trailer losses is $10 million. Florida, where the trailer population is very large, was hardest hit. But there was plenty of this kind of damage all along the course of the storm. A 60-foot trailer, of which many were involved in the storm, is worth up to $12,000.

While the specialty companies—Foremost, Wolverine, American Bankers, American Plan, American Security, and Stuyvesant, among others—will pick up the bulk of these losses, other companies, writing the coverage that follows the dwelling form and excludes water damage, will get some of the losses. They have been seeking this business in recent times on a price basis.

The specialty companies are paying off as fast as they get the claims. One reason for this is to avoid further damage. The construction of the trailers is such that the cotton insulation behind the plywood interiors acts as a wick to draw in water.

Catastrophe reinsurance covers on mobile homes will be hit. There is no 48 or 72-hour cut-off on these covers—or on similar covers for boats, either.

The financed automobile insurers will pay a good part of the automobile damages.

Kueckelhan And Becker Win Wash. Primary Tests

Winners in the Washington primaries for insurance commissioner were Lee I. Kueckelhan for the Democrats and Fred C. Becker for the Republicans.

Mr. Kueckelhan, chief deputy under William A. Sullivan and Mr. Sullivan's personally backed candidate, beat out seven opponents, the closest competitor being Dan Sullivan.

Mr. Becker is a Seattle local agent. His serious opposition came from Robert S. Coplen, an adjuster. Mr. Becker has made two previous tries to become commissioner, but was swamped both times by Mr. Sullivan.

National Union Appoints Fowles

Lyle M. Fowles has been named to head the casualty underwriting department of National Union's Cleveland Heights office.

Insurance Counsel Elect W. A. Gillen At Philadelphia

William A. Gillen, of Fowler, White, Gillen, Humkey & Trenam, Tampa, was elected president of Federation of Insurance Counsel at its annual meeting in Philadelphia. He succeeds Lowell L. Knipmeyer of Kansas City.

Mr. Gillen is a member of the insurance section of American Bar Assn. He is a member of the Florida Bar and served on its board, its executive committee, and as chairman of its committee on legal institutes. He is also a member of the Tampa and Hillsborough bar associations. He is associate editor of "American Maritime Cases" and is author of a chapter on admiralty law in "Florida Law and Practice."

Carroll R. Heft of Heft & Coates, Racine, Wis., was elected to succeed Mr. Gillen as executive vice-president and president-elect. Robert O. Rooney of McBreen, Tobin & Rooney, Chicago, was elected secretary-treasurer.

New Vice-Presidents

The following were elected vice-presidents: Gregory Brunk, general counsel Homesteaders Life and Webster Life; William R. Eddleman of Eddleman & Wheeler, Seattle; Benton E. Gates Jr., of Gates & Gates, Columbia City, Ind.; Henry P. MacKeen, of Stewart, Smith & MacKeen, Halifax, Nova Scotia; W. Percy McDonald Jr., of McDonald, Kuhn, McDonald, Crenshaw & Smith, Memphis; Donald R. Mawhinney, of Hiscock, Cowie, Bruce, Lee & Mawhinney, Syracuse; Donald E. Rhodes, manager legal department Citizens' Mutual Auto.

The following were elected to the board: Edward C. German, of LaBrum & Doak, Philadelphia; David Green, president Motor Club of America and Motor Club of America Life; Edmund J. O'Brien, assistant general counsel Lumbermens Mutual Casualty; and Victor D. Werner of Wood, Werner, France & Tully, New York City—all for two-year terms.

Also William A. Porteus Jr., of Porteus & Johnson, New Orleans; Ivan Robinette of Gust, Rosenfeld, Divelbess & Robinette, Phoenix; L. J. Clayton, attorney American General; and J. Boone Wilson of Black, Wilson, Coffrin & Hoff, Burlington, Vt.—all for one-year terms.

Zurich Forms Branch Office At Richmond: Lachman Named Head

The Richmond, Va., office of Zurich has been raised to full branch office status with John C. Lachman as branch manager.

Formerly a service office, the expanded Richmond branch will supervise Virginia and North Carolina, and will report directly to the head office in Chicago. The present service office in Greensboro, N. C., will be maintained in connection with the Richmond office.

By the end of the year, the Richmond office space will be doubled. There will be full service facilities, including underwriting, claims, engineering and payroll auditing.

Mr. Lachman joined Zurich as a sales representative covering Virginia and eastern North Carolina in March, 1959. Prior to that, he was manager of American Casualty's Richmond branch office. He spent nine years in insurance production work in the Pttsburgh, Pa. and West Virginia areas before coming to Richmond.

Marine Insurers Hold Worldwide Meet

(CONTINUED FROM PAGE 1)

sonably satisfactory in the past year, but that this statement was made in the hope that the rash of severe casualties in June and early July does not have prophetic implications.

Although at previous council meetings, underwriters have expressed concern regarding the unknowns in risk potential on super tankers and ore carriers, all of the feared problems have yet to become evident, Mr. Kratovil said. Experience on specially designed cargo carriers thus far has been reassuring although a factor is the high cost of repairing gantry crane assemblies on containerships.

The continuing rise in cost of labor and materials in the U.S. precludes any reduction in cost of ship repairs —except in special situations where dearth of work in a particular yard may bring into play unusual stress of competition, Mr. Kratovil noted. In the past year, the cost of repair index (based on wage rates and cost of materials) increased approximately 2% over 1959, bringing the index to the level of 131.77% over the base year of 1955.

No significant difficulties have been noted on U.S. owned, laid-up tonnage after re-entering service. On vessels laid up at time of renewal and covered under navigating policies from time of re-entering service, the practice is to stipulate that requirements of U.S. Salvage Assn. must be complied with regarding inspection and work to be done before placing in operation. Undoubtedly this practice has contributed to the satisfactory experience, he concluded.

Informal Statement

Mr. Hogsflesh observed that the British were not making a report this year, since it would be repetitious of their statement at the 1959 meeting. He summarized developments, however, and emphasized that inflation is an overriding consideration now and for the foreseeable future.

Up to 1955, he noted, inflation had not "caught up with premiums." But from then on its impact has been felt, particularly in repair costs in 1960. Answering criticism that hull underwriters are too conservative, Mr. Hogsflesh declared that they were actually realistic, particularly with respect to the danger of too many peak values in their accounts.

Reports were also made at the open meeting by India, Norway, Sweden, Denmark, Holland, France, Germany, Spain, Italy, and Yugoslavia. They reflected in varying degrees the menace of inflation and more frequent claims.

Until liability and other insurance problems are solved on a world wide scale, it is unlikely that nuclear ships for private use will be built, Leonard J. Matteson of Bigham, Englar Jones & Houston, New York law firm, declared in a talk to the council. He said that there must be clear definitions of the potential liabilities of operators, designers, builders and suppliers of nuclear ships.

Since the reactor will be waterborne, it is subject to special hazards. Moreover, the nuclear ship will enter crowded harbors and will approach concentrated centers of population with valuable property. Those operating or participating in any way in the operations of a nuclear ship can hardly afford to be involved unless they are assured of protection, Mr. Matteson declared.

Containerization

T. M. Torrey, North America, reported that the consensus of those replying to questions asked by American institute was that claims of most types would be reduced by using containers, as long as these were well designed and maintained in good condition and were handled and packed in accordance with proper principles.

Since it seems that containerization will increasingly become standard practice, underwriters may feel encouraged by the prospect of some improvement on claims which they have always believed were preventable, but which they could do little to avoid. However, it can be expected that the continued use of containers will be accompanied by deterioration of the quality of export packaging, Mr. Torrey noted. Failure of the container may therefore result in water damage, breakage and other losses, and these losses will also occur when packages are taken out of the container at the port of discharge and shipped to the interior.

Because of the loss in deadweight, approximately one-third of the containers are stowed on deck on the container vessel, he continued. Underwriters can therefore expect losses due to heavy weather, and changes in atmospheric temperature, particularly in winter. A similar situation will exist when the boxes are stored in the open for a period of time.

It is hoped that the rise in containerized operations will continue. A great danger, however, appears to be a tendency to consider all container operations as substantially identical. This is not the case, and each operation needs to be rated and underwritten on its own merits. In underwriting the shipper's interest, it must be remembered that there is a good chance that the container will be stored on deck, that the container load will be broken up at the port of arrival in the foreign country, that the packages within the container will continue in transit to the interior, and that the containers will be stored outside in all kinds of weather, Mr. Torrey concluded.

In supplemental remarks to his report to the cargo loss prevention committee, Harold Jackson, Wm. H. McGee & Co., noted that disastrous underwriting experience on shipments of unboxed automobiles had led to a survey to determine why claims are so numerous but negligible in amount.

He said that the report shows that denting, scratching and marring are the major part of any claim.

Most of the damage attributed to "during loading" is done before the car reaches the dock or while being moved around on the dock prior to loading. Minor damages cannot be discovered unless the car is washed. Steamship companies stow cars too close together and do not leave enough room to prevent damage to surrounding cars.

In many instances, steamship companies do not have the proper gear to fasten cars to the deck, and they use wood chocks and dunnage for that purpose. Car springs should be depressed, otherwise in a heavy sea cars stowed too close together will damage each other. Cars should not be stowed athwartships. Very serious claims have resulted from cars breaking loose during heavy weather and reducing surrounding cars to scrap. Too often, holds are not cleaned prior to loading, and the finish is damaged by residue from prior cargo.

Additional problems sometimes arise, including long periods in open storage in the dock area and in staging area, sometimes miles away, where they are in the hands of over-the-road haulage companies. This exposure, mostly in unpaved and unprotected areas, leads not only to pilferage, but in hard climates to deterioration of finish, and is particularly hard on soft top cars. In addition, there have been some serious claims for flood and water damge in such areas. In most cases the cars were in due course of transit.

As cars today move in large numbers, and as, roughly, one in three is damaged, extensive facilities are needed to get them in saleable condition. When times are good, many small claims are overlooked if the car is sold before delivery, as the dealer would rather have his money than hold up the sale waiting for an insurance adjustment. However, if the cars are moving slowly, many dealers do not repair the cars until they are sold. In most such cases, cars are stored in the open awaiting repair, and the least that can happen is aggravated damage.

Until most steamship companies are made to respond for these types of claims, the situation will not improve. Most steamship companies decline to pay small claims because of a prewar legal decision, which in effect supported their contention that such claims were bound to happen if a car was shipped unboxed.

Mr. Jackson said that his remarks applied to all countries and were based upon cars of all nationalities.

Among the companies with liberal representation at the meeting were Atlantic Mutual, Aetna Casualty, Chubb & Son, Commercial Union, Royal-Globe, North British, New Zealand, Boston, Hartford Fire, Fireman's Fund, North America, Jefferson, Providence-Washington, Reliance, Switzerland General, and Travelers. Prominent executives of marine managing organizations also attended.

Hold On To Your ICA Shares, Kroll Urges His Stockholders

Stockholders of Insurance Corp. of America have received a communique from President Mark H. Kroll in which he advises holding on to ICA stock because "negotiations now in progress will result in a profitable increase in stockholder's equity."

Mr. Kroll says an article in the Indianapolis Star of Sept. 16 on first reading would give the impression that something adverse had befallen Ins. Corp. of America and Mr. Kroll and that the company may be having some difficulty.

"It is the considered opinion of myself and of persons in both the legal and financial profession," Mr. Kroll states, "that the article in no way has any sinister reflection or accusation toward Mr. Kroll or your company," but involves ownership of two other Indianapolis companies.

Saying that the business of the ICA is going forward "ethically, honorably and legally," Mr. Kroll tells the stockholders not to permit themselves "to be misled by self-seeking representatives of certain stock brokers! Don't allow yourself to trade your ICA stock for that being offered by the self-seeking brokers! Negotiations now in progress will result in a profitable increase in stockholder's equity. Due to the confidential nature of these proceedings, full details will have to be released at a later date."

CPCUs Told: Seek Insurance Perception

(CONTINUED FROM PAGE 2)

be applied outside of its legitimate scope. "Forcing insurance into a mold it does not fit may be disastrous to many people and discrediting to the insurance industry," he said. He proposed a list of 10 sub-questions as a means of dividing the research project into parts for serious coordinated study over an extended period.

The past decade has been an interesting if not heartening one, according to Eugene F. Gallagher, executive secretary of the Chicago Board, who described the period as one in which it seemed that the business was determined "to keep from showing an underwriting profit." He said insurance is "not intentionally an eleemosynary institution," that the real reason the business exists is to realize some profit from underwriting, and that people who buy insurance stocks do so with the idea of getting more than just dividends from the investment segment of the business.

Mr. Gallagher told his listeners that they were entering a challenging period, and he predicted they would see more deviations in fire rates, more competition for personal fire lines, more installment premium plans, more

Robert O. Young

Price M. McCulley

direct billing, more large deductible fire contracts, more reluctance to write small policies which produce a loss even though no claim is ever presented, and more mergers of fire and casualty companies and of life companies with fire, casualty companies. He predicted also that there would be continuous policies in the simple mass market personal and automobile lines, a curtailment of flat cancellations, co-insurance principle applied to the dwelling business, small deductibles applicable to all perils of the fire policy, and increasing encroachment on insurance by federal and state governments.

He suggested that agents give careful consideration to the number of companies they represent. "Having in your office any more companies than you actually need is expensive and serves no purpose," he said.

Agents themselves might contemplate merging. If the trend towards reduced cost of operation gains impetus, an agency will need more volume at less overhead, and this will result in fewer but larger agencies. The smaller, personal lines agent may find survival difficult, he said.

Might Help Commission Reform

He suggested that CPCUs might be able to do something about commission reform. "For years," he declared, "companies have used commissions to 'buy' business which they consider preferred. As a result there is today but little relation between rate of commission and amount of service performed by the agent." He wondered if consideration should be given to how much ability the agent has to proceed without too much service from the field man, how accurately he performs his duties, how promptly he pays balances, the class of business he produces, his yearly writings, and the average premium per policy he produces. "Do you not agree that not all agents are worth the same relative amount of remuneration on a percentage basis?" he asked.

Edgar E. Isaacs, vice-president Atlantic Mutual, declared the present arrangement for handling undesirable automobile risks to be highly unsatisfactory to most insurers. Concurrently, it is a breeder of great ill-will in the minds of the insuring public, he said.

Most motorists forced into the assigned risk plan regard it as a personal stigma, and "it seems probable that the animosity engendered in their minds may manifest itself in many diverse ways against insurance companies." Mr. Isaacs discussed various proposals for remedying the ills of the assigned risk plan, and he recommended that "an industrywide underwriting pool offers the surest and most economical solution."

Debate Merit Rating

Automobile merit rating was debated by Robert A. Nelson, National Automobile Underwriters Assn., who took the affirmative, and Robb B. Kelley, secretary Employers Mutual Casualty. Comprehensive liability was examined by a panel consisting of Gilbert L. Bean, Liberty Mutual; William T. Deeks, Aetna Casualty; and W. Howard Clem, Schlumberger Well Surveying Corp. Reinsurance was discussed by Norman Roop of Booth, Potter, Seal & Co., Philadelphia, and Lee Beets, Consolidated Underwriters, Kansas City, spoke on data processing.

New officers of the society other than Mr. McCulley are William R. Kersten, Van Schaack & Co., Denver, and Donald C. Brain, W. B. Johnson & Co., Kansas City, vice-presidents; A. Hawthorne Criddle, Ostheimer-Walsh, Philadelphia, secretary, and Norman E. Roop, Booth Potter, Seal & Co., Philadelphia, treasurer.

Regional directors elected are: John Adam Jr., Wooster Mutual Fire, northeast; Sanford Lederer, Stewart-Keator, Kessberger & Lederer, Chicago, north central; William E. Booth, Cherokee, southeast; Carl H. Hunt, Dallas agent, south central; and Roy A. Westran, Kaiser Aluminum, Oakland, western.

The new president entered the business in 1930 and organized his own adjusting firm in 1949. He became a CPCU in 1946 and has headed the Dallas and New Orleans chapters of CPCU, Dallas Claims Men Assn. and Independent Insurance Adjusters of Louisiana. He appears in Who's Who in the South and Southwest and the international edition of Who's Who in Commerce and Industry.

Awards for distributing the new quarterly CPCU journal, Annals, were presented to the Virginia chapter and to J. Wesley Coms, Western Actuarial Bureau.

American Home Fills N. Y. Office Posts

American Home has named Joseph P. Finnegan superintendent of the administrative department, Myles F. Driscoll manager of the systems and procedures division, and Donald E. Johnson assistant manager of the offices' services division at New York.

Mr. Finnegan went with the company in 1957 as manager of the offices services division. Mr. Driscoll was a statistician and risk history supervisor before being promoted to systems analyst in 1959. Mr. Johnson was previously purchasing agent of Merchants Fire of New York.

Chicago Claim Assn. Hears Three Speakers On HIC's Functions

Health Insurance Council was given the spotlight as Chicago Claim Assn. held its first meeting of the new season.

Moving back into the Midland Hotel's Adams Room after a year elsewhere, the association met for the first time under the jovial leadership of President Harry W. Hoffman, United of Chicago, and prospects for an interesting season seemed assured as Bernard Klemm, Continental Casualty, outlined among a tentative list of subjects to be covered a discussion on group, the psychology of handling claimants, a report on the forthcoming International Claim Assn. meeting, and recent books on various topics of interest.

Other new officers are C. M. Karol, Washington National, vice-president; William J. Hechler, Provident Life & Accident, secretary, and Robert Mack, Federal Life of Chicago, treasurer.

Wade Davenport, assistant regional vice-president New York Life and chairman Illinois state subcommittee HIC, described the origin, composition and development of HIC. Charles Robinson, district medical consultant Travelers and chairman medical relaitons subcommittee HIC, spoke of what he termed the "worlds apart situation" of the fields of medicine and insurance and how HIC strives to bridge these two worlds. Theodore Randich, supervising adjuster Travelers and chairman hospital relations subcommittee HIC, outlined the steps being taken to improve relations between hospitals and the insurance industry.

Incidentally, the meeting produced the first irrelevancy of the new season—a motion that speakers henceforth discontinue the use of "claims men" and refer instead to "claims people" since women also are working in the business. Not surprisingly, this suggestion was made by a woman.

Hawkins Sees More Competition, Regulation From Government

WHITE FACE, N. Y.—Government "claims" on the insurance business, in the form of further competition and intervention in the regulatory field, will remain very much a live issue in the foreseeable future, Paul M. Hawkins, Washington counsel of Health Insurance Assn. told the annual meeting of International Claim Assn. here.

Mr. Hawkins, describing federal competitive activities and the growing government interest in the regulatory area said the "competition by the federal government can be the most destructive and devastating 'claim' that can be imposed" upon the insurance business.

"It would provide a competitor with compulsory tax dollars for payment of 'premiums,' operational expenses, and payment of claims. It is competition that the private voluntary system of insurance could not hope to meet," he said.

National Legislative Trends

Mr. Hawkins presented a summary of national legislative developments in the competitive area, beginning with the introduction of the Wagner-Murray-Dingell bill in 1945. He called attention to the introduction of the Forand medical care financing bill in 1952 and its subsequent reintroduction in later Congresses. It was defeated this year in the ways and means committee of the House and in the Senate finance committee, he noted.

Similar to the Forand bill, the speaker commented, were the Anderson amendments to the social security bill which was before Congress this year. The amendments were defeated on the Senate floor. Also defeated, Mr. Hawkins said, was the proposal offered by the Eisenhower Administration, which would have provided even broader medical care coverage than the Forand-type measure.

"The Social Security bill which finally passed," Mr. Hawkins continued, "included an amendment to title I of the social security act providing $12 a month more over the existing $65 in federal-state maximum public assistance funds, earmarked for medical care, for each of the 2.4 million persons now receiving old-age assistance under the social security system.

"The federal share will range from 50% to 80% depending upon the per capita income of the state. In addition, matching funds are provided in the same percentage ratio to the states for a new program of medical care for all persons 65 years of age or over whose income and resources, taking into account his other living requirements as determined by the state, are insufficient to meet the cost of his medical services.

Bill Signed

"Each state is allowed to set up its own program providing any or all of a large number of medical benefits outlined in the law. State administration is provided. First year cost is estimated at $200-million federal contribution and $63-million state contribution. It is estimated that between one-half and one million persons will benefit the first year. The bill was signed by the President."

Only a preliminary engagement was won this year by opponents of a non-voluntary health care aid program of the Forand type, Mr. Hawkins told the claims group. He called attention to the planks of the Democratic and Republican parties on this subject, "which differ only as to method," he said.

Helping to keep alive the issue of health care for the aged, Mr. Hawkins observed, is the White House Conference on Aging, to be held in Washington, D.C., next January.

Competition Threat Still Live

Concerning the conference, he said, "There is little doubt that the proponents of a compulsory system via the social security route will be promoting their philosophy. Thus the competitive 'claim' against the A&S business is a live one and one which we will be facing for some time to come."

In the field of regulation, Mr. Hawkins told the claims group, the federal government has attempted to press a second "claim" on the health insurance business. He reviewed briefly the challenge to state regulation resulting from the Federal Trade Commission investigation of A&S insurance advertising in 1953.

The speaker summarized the movement of Congress "into the area of potential regulation of insurance through an investigating committee," referring to the investigation of some aspects of insurance by the anti-trust subcommittee of the Senate judiciary committee.

Report Filed

The subcommittee, after holding hearings on aviation insurance, ocean marine, and the study of state insurance department operations, filed its report last June.

Mr. Hawkins said that a major part of that report embodied a critique of state insurance departments. The subcommittee felt that states have not dealt effectively with insurance company mergers and that there has been a laxity in supervision of state actions to enforce statutes covering restraint of trade, monopoly, and unfair trade practices.

In an evaluation of the significance of the subcommittee report, Mr. Hawkins said, "The importance of these recommendations and criticisms of state regulation is to me an indication of the basis upon which those in Congress and the federal government generally would move as an excuse for the federal government to invade the regulation of insurance by the states.

Government Ready To Step In

"An interpretation of these recommendations could lead one to the conclusion that if the states did not follow these recommendations the federal government was ready to step in. As an indication of this attitude, the last sentence of the report is significant. It states, 'It remains to be seen how long such a regulatory structure can stand without substantial improvement in substance and administration.'

"On the other hand, in commenting for the minority of the subcommittee, Sen. Alexander Wiley of Wisconsin criticized the majority report for its alleged efforts to prove a preconceived notion as to the superiority of federal-over-state insurance controls. The senator does suggest, however, that the states will do well to pay heed to the suggestions of the majority for improvements in the state regulatory machinery, to make certain that the states are permitted to continue in the effective discharge of their duties."

Kans. Mutual Agents Hold Convention

L. H. Brown President, Two V-Ps Named, 1752 Club Elects Officers

By BERNARD P. McMACKIN Jr.

KANSAS CITY, KAN.—L. H. Brown, the new president of Kansas Assn. of Mutual Insurance Agents, will have an enlarged official family, with two vice-presidents replacing him. Elected 1st vice-president at the association's convention here was James R. Oliver, Topeka. Charles P. Ward, Wichita, was elected to the newly created post of 2nd vice-president. Frank Welsh and his wife, Mrs. Marlys Welsh, Wichita, will continue to serve the association as secretary and assistant secretary.

The Kansas City meeting, which also included the convention of the Kansas 1752 Club, featured John Keyser, Kalamazoo, president of the national association; E. B. Collett, president of Millers Mutual Fire of Fort Worth and chairman of the insurance committee of the U. S. Chamber of Commerce; H. E. Bayley, manager of the casualty department of Universal Adjustment & Inspection Co.; George D. Haskell, staff economist and director of education American Mutual Insurance Alliance, and Bernard P. McMackin Jr., associate editor of the Fire, Casualty & Surety Bulletins.

Mr. Collett said the background of the Congressional investigation of insurance—by retiring Sen. O'Mahoney's anti-trust and monopoly subcommittee of the Senate judiciary committee—makes one wonder why it was even started. "There has been no failure of any major insurance company," he said. There has been no lack of competition from direct writers and independent operators of many kinds. There have been no unusually large profits and there has been no charge that rates have been too high or the public has been bilked in any respect.

Nevertheless, according to Mr. Collett, Congress will take this up again next year and changes in the McCarran act are possible, even though "we doubt that any serious shortcomings" in regulation by the states will cause Congress to make changes. If so, however, "we would have federal regulation of insurance rating in some form or another."

Mr. Bayley provided a catalogue of suggestions for agents who want their claims handled smoothly and well. Starting with a plea that coverages be sold intelligently, he stressed the need for prompt action in claim reporting, since "claim-minded members of the public waste no time about getting an attorney." The "luxury" of this "middleman" Mr. Bayley feels should be cut out in a great majority of cases, since companies are interested in equitable settlements. Lawyers are needed only where there is genuine dispuet and a denial of payment.

Mr. Bayley expressed concern about the practice of some producers who refer all claims, "large or small, covered or not." If the agent knows there is no cover, he said, he should not duck the issue. This has a poor effect on the insured's attitude once the adjuster comes out and denies payment. Mr. Bayley believes this hurts the agent too.

Some don'ts concerning request of adjusters: Don't ask adjuster to collect damages for the insured; don't push for a particular repair shop simply because that shop will provide the insured with a "loaner." Garages have to get \$15 to \$20 more per day to provide cars for loan uses; this is bound to turn up in their charges one way or another.

On the other side of the adjuster-agency relationship, Mr. Bayley believes the adjuster should keep the agent informed of the status of each case. On first party claims, in particular, the agent is vitally interested, he said.

Suggestions for answering objections to mutual insurance were given by Mr. Haskell. He spoke of mutual insurance as "tested in the crucible of time—having survival value." He also cited the efficiency of mutual management and the consistently low expense ratios of mutual companies, coupled with generally low loss ratios. Mr. Haskell described mutual companies as pioneers in loss and accident prevention, stressing that the benefits of such efforts accrue to the policy-Holders. Mutual insurance is safe insurance, he said; mutual management serves no other interests than those of the policyholder and net cost comparisons favor the mutuals.

Mr. McMackin said many producers have concentrated heavily on the personal lines in the past 10 years, not only because of developments in private passenger auto, but also because of the success of the homeowners idea. With automation so widespread in auto lines and now being experimented with in the homeowners field, Mr. McMackin believes many producers would be well advised to open personal lines department, perhaps seizing upon this as the much hoped for opportunity to bring young blood into the agency. Then, veteran producers should turn to diversification, looking to serve more broadly the insurance needs of the community—not just the personal coverages—as they did prior to the introduction of homeowners.

Sullivan On Program

Also featured on the program was Frank Sullivan, Kansas insurance commissioner, who is running for re-election in November.

The new president of the Kansas association, who succeeds Leslie A. Oberhelman, Topeka, has been in the business since World War II. He became a partner in the Hiebert Ins. Co., a Wichita agency, in 1959.

Donald W. Jensen, Elinwood, and Curtis M. Rhoades, Emporia, were elected to the board of directors, replacing Otto Lehmann, Linconville, and Mr. Ward.

The new president of the 1752 Club is Gale Eales, Nebraska Hardware Mutual. He succeeds Wayne C. Jacka, Wheat Growers Mutual Hail. Robert E. Honeyman, Grain Dealers Mutual, moved up from secretary to vice-president and the new secretary is James L. Crider, Kansas Mutual.

Kentucky Mutual Agents Elect Bowman President; McMackin, Dauer Speak

CINCINNATI—Kentucky Assn. of Mutual Insurance Agents, meeting here on ground ceded for convention purposes to Kentucky by Ohio Gov. Michael V. DiSalle, elected Walter Bowman, Covington, to the presidency, succeeding Shearle J. Hicks, Cynthiana.

Harold Major, Shelbyville, was named the new 1st vice-president. John B. Spalding, Owensboro, and James P. Bullock, Louisville, remain vice-presidents.

The Kentucky association met last year in Tennessee in a joint meeting with the Tennessee agents, so when the group convenes in Louisville next year it will return to "home base" for the first time in three years.

The program was confined to morning sessions—the afternoon sessions being devoted to the Latonia race track and local golf courses—and drew some 80 registrants.

Bernard P. McMackin Jr. and Robert C. Dauer, both of the National Underwriter Co., discussed current developments in homeowners and automobile policies. William Stringfellow, acting general manager of National Assn. of Mutual Insurance Agents, outlined plans for the coming year.

Ralph Vonderschmidt, Walton, and Donald Lambertus, Louisville, became directors, replacing Milburn Stone, Louisville, and Harry Beckmeyer, Newport.

Ohio Holds Hearing On Columbus Blue Cross Rate Increase Request

The Ohio department has held a hearing on the application of Central Hospital Service Assn. (Columbus Blue Cross) for rate increases of some \$2.5 million a year, covering subscribers in 29 central Ohio counties. Superintendent Stowell said the new rates would amount to an approximate increase of 22.6%. The Ohio department authorized an over-all increase of 11.5% in rates in July, 1958.

In other Ohio Blue Cross news, Franklin County common pleas court at Columbus issued a temporary order granting Hospital Care Corp. of Southwestern Ohio a 19.5% boost for its rates in 15 counties. The increase was the same as the Ohio department said previously it would approve, but the corporation had sought an increase of 28%. Superintendent Stowell noted that the lesser increase will amount to \$15 million while the 28% hike would mean \$20 million more. The corporation also is appealing the denial of its new fees.

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Zurich's Phoenix, Ariz., branch office has moved to new, larger quarters at 116 South Central Avenue.

Mutual Companies Meet At Seattle, James New President

SEATTLE—W. T. James Jr. was elected president of National Assn. of Mutual Insurance Companies at the closing general session of the 64th annual convention here last week. Mr. James is secretary-manager of Northern Neck Mutual Fire Association of Irvington, Va. Gary H. Kamper, Badger Mutual, who had been president-elect and would have become president this year, was forced to resign because of ill health.

Other officers elected were: Ralph H. Bennett, Ventura County (Cal.) Mutual Fire, president-elect; and Lester T. Jones, Town Mutual Dwelling, Des Moines, vice-president. There was still another change as I. G. Saltmarsh, Indiana Lumbermens Mutual, treasurer of the national association since 1940, voluntarily withdrew his name from the slate of officers, and G. E. Beall, Indiana Lumbermens, was chosen for the post. Harry P. Cooper Jr., Indianapolis, was renamed secretary.

W. T. James Jr., Northern Neck Mutual Fire Assn. of Virginia, addressing the annual meeting of National Assn. of Mutural Insurance Companies at Seattle. He is the newly elected president of NAMIC.

All five of the conference sections within the framework of the association also elected new officers. These were:

Conference of Mutual Casualty Companies—E. L. Brandt, Auto-Owners, president; Robert Doucette, Milwaukee Auto, vice-president; and Carter Grinstead, Beacon Mutual Indemnity, executive secretary (reelected).

Crop-Hail Conference—Glenn Wistey, Farm Bureau Mutual, Des Moines, chairman; Darrell K. Seltsam, Farmers Hail, Columbia, Mo., vice-chairman.

Farm Fire Conference—Chairman, Richard C. Bloom, Orleans County (N.Y.) Farmers Mutual; vice-chairman, Ezra W. Harris, Briar Creek (Pa.) Farmers Mutual.

Farm Windstorm—D. J. Robideau, North Dakota Farmers Mutual Tornado & Cyclone, chairman; Harold E. Frantz, Buckeye State Mutual, vice-chairman.

Fire & Allied Lines Conference (new name of City Fire Conference)—Howard M. Cullimore, Snake River Mutual, Boise, Ida., chairman; John D. Cox Jr., Berkshire Mutual Fire, vice-chairman.

Milwaukee Agents Elect Robert Clayton President At 97th Convention

Robert T. Clayton was elected president of Milwaukee Assn. of Insurance Agents at its 97th annual convention. He succeeds Wayne C. Reisman.

Other new officers are Richard C. Burdick, vice-president, and Robert M. Freer, secretary-treasurer.

The title of Miss Wisconsin Road Aid was awarded to Miss Dolores Paul, Milwaukee.

Fire Retarding Wood Resists Heat 30% Longer, Chicago Engineers Hear

Fire retarding wood was described and demonstrated by Ralph H. Bescher, assistant to the vice-president and general manager of Koppers Co., Pittsburgh, at the September meeting of Chicago chapter of Society of Fire Protection Engineers.

The process of treating the wood, most commonly pine and Douglas fir, involves impregnating it with chemicals, saturating it and then drying it out. The treatment is permanent in that there is no evaporation o fchemicals. However, fire retarding wood is recommended for interior construction only, since weathering may eventually affect its performance, Mr. Bescher explained.

Resists Fire 30% Longer

He said treated wood will resist fire 30% longer, and as an incidental value, acts as a preservative against decay and termites. The government and self-insurers comprise the largest market for this product.

Treated wood, he said, can be identified by the Underwriters' Laboratories label on every board or by an ammonia smell when dipped into a sodium hydroxide solution.

Insurers Wary Of Risk In Russian Premier's Visit

The insurance business became involved in the visit to New York of Nikita Khrushchev of Russia when the Moore-McCormack Lines had difficulty getting insurers to furnish $2 million liability on pier 73 where the Baltika was to dock. The dilapidated pier had been refurbished for use by the Russian premier's ship but insurers were wary of the risk because of the danger from demonstrations.

The matter was finally settled when insurers were found that would write the $2 million but with a $100,000 deductible.

Cathcart Alaska President

Alaska Assn. of Insurance Agents at its annual meeting elected Wallace Cathcart Jr., Fairbanks, president. Other new officers are: Carl H. Porter, Ketchikan, vice-president; Miss Grace Butrovich, Fairbanks, secretary, and Robert Pfeifer, Spenard, treasurer. Curtis Shattuck of Juneau was elected state director.

Dental Plan In Oregon

Dental Service Inc. has been organized at Portland, Ore. It will sell family memberships ranging from $50 to $75 a year which will entitle those covered to dental services at discounted rates from participating dentists.

Roy L. Davis Dies At Chicago

(CONTINUED FROM PAGE 2)

Mr. Davis was chairman of the Insurance Group of Union League Club of Chicago. He was the obvious choice for this position; he had the friendship and respect of the cross section of the business in this loose organization, and he would work.

Before the industry set up a reasonably effective line of communications in the midwest states, Mr. Davis used to attend the meetings of the agents' associations as well as the legislative sessions. He kept abreast of the doings of the agents and the company people and for a long time was the principal liaison between the agents and their eastern companies.

Mr. Davis was in Wesley Memorial Hospital. He had been confined for about two weeks. He was a brother-in-law of Frank Durham of the W. W. Durham & Co. agency of Chicago.

In his early days, Mr. Davis was with Continental Assurance and Union Central Life. He was a Ph.D., and did some agency work in the life business with which he combined a good deal of educational effort. Then he was appointed by the governor to the post of assistant director of insurance of Illinois.

Mr. Davis was a conscientious, effective worker. He got the job done for the business.

Consumer Mutual has been organized at Jackson, Mich., to write disability, auto and mobile home coverage.

Editorial Comment

News Is News When It's New

The insurance business in times past has made too little noise about the losses it pays to the public. When it does face the big, sudden, demand for news from the wire services, daily press, and other media, it finds the demand is for information before it is available in a form palatable to the business intramurally—that is solid, irrefutable, supportable, factual statistics. This year, however, the stock insurers had available and ready a facility for supplying news of the business to the press, the Insurance Information Institute.

But the press wanted information on the extent of the losses before Hurricane Donna blew out to sea. This is almost impossible to do. Yet, III, recognizing the urgency of the situation, produced some informed estimates in time to make the morning dailies two days after the storm struck New York.

The value, really the necessity, of speed, is illustrated by two headlines in one of the most influential of daily newspapers in a metropolitan area where that newspaper and others have tended to give a rather sour visage to the image of insurance because of the automobile. One New York newspaper headline on Tuesday morning was: "Hurricane Loss Often Uninsured; 'Extended Coverage' Seldom Applies to Damage to Property by Storm." The story then proceeded to tell how many kinds of losses are covered, by extended coverage (except for water under certain circumstances), and other forms. But on Wednesday morning the headline was: "Hurricane Insurance Losses Heading for 11 Year High."

The swing between the two headlines represents the difference between public relations and public relations in reverse, and the difference was produced by the speed with which III was able to produce, with considerable effort (and the cooperation of informed adjusters), an informed estimate. There were several estimates, one for $100 million excluding automobiles and marine losses, $135 million including automobile but excluding marine, and $151.5 million including EC and automobile and making an allowance for marine losses, wet, inland and pleasure boats, which appear to be fairly heavy. Whether one of these estimates is overstated or understated by 20% is not significant so far as the public is concerned. The important thing is that the public press, less than two days after the hurricane blew into the Maritime Provinces, had a figure of $135 million to show that the insurers were ready to pay for the losses for which they had taken premiums.

It may take 12 to 15 months before the score on Hurricane Donna is finally entered in the statistical history books. By that time, the general public, buffeted by other storms and other news, will have a hard time remembering the name of the witch. In the meantime, this time, the public found out, while it was almost universally agog to learn anything about the storm, that the insurance companies were going to pay out a very substantial sum of money to offset the effects of Hurricane Donna.—K.O.F.

Personals

Mr. and Mrs. Paul E. Buehler and **Mr. and Mrs. Carl F. Browne** are on a two-month vacation in Europe. Mr. Buehler is president of Beacon Mutual Indemnity of Columbus and Mr. Browne is secretary. They will travel in England, Holland, Belgium, Germany, Switzerland, Italy and France.

J. W. Middendorf III, the insurance stock specialist of Wood, Struthers & Co., New York stock exchange firm, is chairman of the Greenwich, Conn., townwide fund raising drive of the Republican party there.

Frank W. Boyle, president of American Employers and deputy U. S. manager of Employers Liability, and **Leon R. Oliver**, vice-president and assistant deputy manager of those companies, were on the American Airlines Electra plane that turned over and burned at LaGuardia Airport, New York, last week. They were uninjured and continued on their journeys—Mr. Boyle to the executive committee meeting of Inter-Regional Insurance Conference of which he is chairman, and Mr. Oliver to a meeting of the public relations committee of National Board, of which he is a member.

One of those at the head table at the annual meeting in Chicago last week of Federal Bar Assn. was **Samuel Levin**, senior partner of Levin, Upton & Glink. Mr. Levin represented the bar of the Seventh Federal Circuit, of which he is president. He is a well-known and popular figure in Chicago insurance circles.

Deaths

W. WALTON VOCHT, 63, with Marsh & McLennan at Minneapolis for 43 years, died there. He began in insurance at the age of 15, joined M.&M. in 1917, and was named a vice-president in 1939. For the past 25 years he had directed all fire and property business at Minneapolis, and in point of service was, at the time of his death, the oldest active employe.

JOHN J. FITZPATRICK, 73, Bridgeport, Conn., agent, died there after a long illness. He was a former Democratic town chairman in Fairfield, served as clerk of the state senate, chairman of the state liquor control commission and collector of internal revenue for Connecticut.

GEORGE H. HARRISON, local agent at Royal Oak, Mich., died there. In the business 45 years, he had been Michigan manager of Western Adjustment for 25 years. He was most loyal gander of the Michigan pond of Blue Goose in 1935-36.

JOHN L. RICHARDSON, claims attorney of Financial Indemnity of Los Angeles, died of a heart attack. He had been with the company since 1957.

ALLAN S. VOLTZ, 52, statistician and assistant secretary of National Union, died. He has been with the company since 1934.

HELEN SUGG, senior examiner of the Kentucky department, died. She had been with the department for 10 years.

PRIOLEAU ELLIS, 57, New Orleans adjuster, died of a heart attack while attending a session of the Mutual Loss Managers Conference there. He went with McBride, Bourne & Kennedy, adjusters, in 1925 at New Orleans and was with the firm at Monroe, La., from 1928 until 1937 when he was returned to New Orleans as general adjuster of the firm. He formed his own adjusting firm in 1940. He was a founder of Independent Adjusters of Louisiana.

TERRELL H. LEWIS, 68, evaluator in the Florida insurance department, died at his home in Tallahassee after a lengthy illness.

DONALD O. COPLEY, bond underwriter for St. Paul F.&M. for 20 years, drowned in Big Marine Lake, some 25 miles north of St. Paul.

CHARLES E. BURNS, 62, former Vermont commissioner of insurance, died in the hospital at Burlington.

SIDNEY I. SACHS, 79, agent at Chicago for 20 years, died there.

Stocks

By H. W. Cornelius of Bacon, Whipple & Co.
135 S. La. Salle St., Chicago, Sept. 20, 1960

	Bid $	Asked $
Aetna Casualty	83	85
Aetna Fire	82	83½
American Equitable	44	45½
American, Newark	26	27
American Motorists	13¾	14¾
Boston	32½	33½
Continental Casualty	71½	73
Crum & Forster	64	66
Federal	59	61
Fireman's Fund	48	49
General Re.	108	113
Glens Falls	32¾	34
Great American	43¼	45
Hartford Fire	47½	49
Hanover	41½	43
Home of N. Y.	55½	57
Ins. Co. of No. America	63½	64½
Jersey Ins.	31½	33
Maryland Casualty	35¼	36¼
Mass. Bonding	39½	40½
National Fire	109	114
National Union	37	38
New Amsterdam Cas.	54½	55½
New Hampshire	49½	51½
North River	39½	40½
Ohio Casualty	23	24
Phoenix, Conn.	76	77½
Prov. Wash.	19½	21
Reins. Corp of N. Y.	22½	23½
Reliance	52	54
St. Paul F.&M.	55	56½
Springfield F.&M.	30½	31½
Standard Accident	47	48½
Travelers	81	82
U. S. F.&G.	39	40
U. S. Fire	28½	29½

"Absurd," Says Temple Of Ga. C.&S. Charges

Paul Temple of Chicago, who has been indicted by a federal grand jury at Atlanta on a charge of removing $1 million of the assets of Georgia Casualty & Surety, has given out a statement in which he says these charges "are utterly absurd." He says he is advised by his attorney that he will be completely vindicated if the matter ever comes to trial.

Mr. Temple charges that an "unconscionable" management contract has caused the company to lose more than $1 million in the past five years.

Was About To Save Company

"In an effort to save this company from imminent failure," Mr. Temple says, "merger negotiations were virtually concluded when it was discovered that gross misrepresentations concerning the financial condition of the Georgia company had been made . . . thus making the merger impossible." He asserts that a sale of the personal stockholdings of the management had been arranged which would leave 800 minority stockholders "holding the bag." The collapse of this proposal, according to Mr. Temple, resulted in the filing of "these ridiculous charges" to cover up other manipulations.

THE NATIONAL UNDERWRITER

The National Weekly Newspaper of Fire and Casualty Insurance

ABC

Published by The National Underwriter Co.

EDITORIAL OFFICE
17 John St., New York 38, N. Y.
Tel. BEekman 3-3958 TWX NY 1-3080
Kenneth O. Force, Executive Editor
John N. Cosgrove, Associate Editor
Eugene G. Downey and Jud Higgins, Assistant Editors

CHICAGO EDITORIAL OFFICE
175 W. Jackson Blvd., Chicago 4, Ill.
Tel. Wabash 2-2704 TWX CG 654
John C. Burridge, Managing Editor
Richard G. Ebel, William Faltysek and R. R. Cuscaden, Assistant Editors
Marjorie Freed (production) and Barbara Swisher, Editorial Assistants

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175 W. Jackson Blvd., Chicago 4, Ill.
Tel. WAbash 2-2704 TWX CG 654
Raymond J. O'Brien, Advertising Manager

BUSINESS OFFICE
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SUBSCRIPTIONS: 420 E. Fourth St., Cincinnati 2. $7.50 per year (3 years, $20); Canada $8.50 per year (3 years, $23); Foreign $9 per year (3 years, $24.50). 30 cents per copy, back copies 50 cents. **CHANGE OF ADDRESS:** Enclose mailing wrapper and Post Office form 3579 with new address, and allow three weeks for completion of the change.

Comments On The Insurance Field From The Investment Dealer's Chair

By LEVERING CARTWRIGHT

Cartwright, Valleau & Co., Board of Trade Building, Chicago

The Donna selloff in fire insurance stocks last week dropped market values in numerous issues to the extent of three or four times the probable ultimate loss from the hurricane. For instance, one company that presently estimates its maximum Donna payout at $4 million lost some $16 million in market value on its stock.

One of the important advisory services Monday morning voiced the belief that the "Donna-induced declines in fire insurance stock prices offer an opportunity for long range investment in these stocks at reasonable prices." This service thinks that $75 million is a high estimate of the insurance loss for Donna.

It was a difficult situation to assess, and before a responsible count could be gotten on Donna, Ethel was tracking ominously towards the Gulf Coast. That

Insurance stocks of course sold lower in the bad market Monday, and they were a trifle easier Tuesday morning. They sold off less on this account, however, than they would have had it not been for the earlier Donna sell-off. Buying developed and prices firmed Tuesday afternoon.

caused renewed selling of fire insurance shares Thursday morning, but pressure on that account eased later in the day when Ethel diminished in intensity.

From recent highs to the lows last week attributable to hurricane liquidation there was a drop in several of the stocks of about 7%.

Subsequent estimates seem to be considerably less pessimistic than the early reports. Most companies now think that they will not have to call on their excess covers. If so, that is a plus factor; for recoveries under excess treaties are costly in future years. It is akin to a banking transaction, with the reinsured paying off the loan at a high rate of interest. Loss estimates of several of the most important companies whose stocks are traded are not such as to suggest a total loss in the realm of $150 million. It may be that specialty companies, mutuals and others will have an unusually high percentage of the total.

It now appears that perhaps 80% of the loss was in Florida and most of the balance in eastern Long Island. Beyond Long Island Donna became much tamer. Donna crossed up some underwriting theories. For instance, certain companies had restricted their risk on the lower east coast of Florida, but had been liberal underwriters in the center of the state and around Daytona Beach, which had been free from hurricanes in the past. Donna, aside from the Keys, wreaked her greatest vengeance on just those supposedly resistant areas.

No doubt there will be the usual compensation of increased premiums from property owners with quickened realization of the windstorm peril.

There was a sense of regret that the fine recovery year of 1960 had been marred in this way. Despite such a setback, it's always a great source of pride to recognize that the insurance industry that has to take such a scolding on so many secondary scores is prepared in its ultimate function to deliver the goods in full measure and with fortitude whatever the disaster.

I often think of the contrary possibility in terms of an aftermath of the San Francisco earthquake and fire. There was located in Chicago then a company with an elite directorate known as Traders Insurance Company. These directors, though, decided to throw in the sponge and take the receivership course. My father, who was then editor of what is now THE NATIONAL UNDERWRITER, listed those directors under the caption "The Traitors."

Fortunately the fire insurance business doesn't run scared like the Traders but is made of the stuff of Fireman's Fund, let us say, that emptied its pockets and raised new capital to make good in San Francisco and keep going.

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Word is still awaited from Fidelity & Deposit as to what its offer is to be for New Amsterdam Casualty. A prominent consideration is said to be the lack of a systematic pension plan at New Amsterdam coupled with a relatively high average age of personnel. This matter of pension needs to be given serious attention in evaluating insurance company stocks. A company with a fully funded plan, including past service, may be worth several dollars a share more intrinsically than one without such a program.

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Another well managed middlewestern company is now getting into an eastern tent. Federal announces a plan to acquire Great Northern Insurance of Minneapolis. This to old timers will be remembered as the Minneapolis Lloyds. This is reminiscent of Freeport Insurance going into the Springfield organization, and General Casualty of Madison and Hoosier Country associating with Reliance. This is to be accompanied by a dividend increase for Federal stockholders, 10% in stock with the same cash dividend to be continued on the increased number of shares.

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Bankers National Life recently declared a stock dividend of 7½%. This has been one of the better performers among the life stocks. It is currently about 22 bid.

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Ohio Casualty increased its quarterly dividend by 2 cents from 14 to 16 cents. Last year Ohio paid an extra dividend of 8 cents, so in a sense the increased quarterly payout is by way of converting the extra to a regular basis. Ohio has been able to increase its dividend payment each year for the past several years. Westheimer & Co. of Cincinnati put out an analysis of Ohio at June 30. Ohio Casualty stock fell off from about 30 earlier in the year to the 24 level under pressure of an estate liquidation.

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Another dividend increase was that of Security of New Haven, which declared 30 cents quarterly as compared with 25 cents, and declared a 3% dividend in stock.

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Dominick & Dominick published a study of American Reinsurance, concluding that while the stock appears to be adequately priced on a near term basis, over the long term it continues to be a sound investment holding. American Re suffered during the first six months from the deterioration of the surety business, there being a 20% loss margin here. However there will be salvage recoveries and commissions to reinsured will be adjusted downward.

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The Magazine of Wall Street in its Aug. 27 issue carried an article by Paul J. Maynard on "Insurance Stocks as Investments Today." The author likes both the fire-casualty and the life stocks. He refers to competition in fire-casualty and says the direct writers are to the agency companies what the discount houses are to department stores. Just as the latter are meeting the competition from new merchandising methods by modifying their selling practices, so the agency insurers are attempting to solve their problems by introducing new types of policies and new methods of selling and servicing them. A good case, he says, can be made for the conclusion that selected life insurance stocks continue to have all the basic attributes of growth stocks. Through steady growth in sales, combined with the continuous reinvestment of most of earnings in new business and in surplus, the companies are building substantial equities for the owners. With the tax adjustment mainly behind them the companies are expected to be able to build future growth records on a new basis of strong earning power. Both types of companies have gone through trying periods during the war and post war years. They now seem to be emerging into a better and more prosperous period which should last for several years.

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Colonial Fund during the quarter ended June 30 increased its holdings of Fireman's Fund from 2,500 to 5,000 shares.

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William Blair & Co., Chicago, has brought out a new study of Continental Casualty, bringing the story up to June 30, 1960. Mention is made of the swapout whereunder 50,000 shares of National Fire were bought from Insurance Securities Trust Fund at $141 per share and 20,000 shares of Continental Assurance were sold to ISTF at $144. Thus Continental Casualty now owns 408,537 shares of National Fire or about 81.7%. The National Fire stock was carried by CC at the June 30 book value of $146 per share. CC now owns 31.4% of the shares of Continental Assurance. At June 30 the carrying value of CA was $27.25. If the holdings of these two companies were taken at market values and consideration were given to a 35% equity in premium reserve, CC book value per share would have been $55.84 instead of $37.36. Subsequently the market for CA has moved up to about 154 while that for National Fire has dropped to about 110 bid.

Transamerica Teams Up Fire, Casualty Units

American Surety and Pacific National Fire of Transamerica group will now operate side by side through regional and branch offices jointly staffed by personnel from each of the individual companies. Administration of the affairs of the two companies will also be decentralized through four regional offices which are now being established on a joint operation basis in San Francisco, Chicago, Philadelphia and New York. Each will be given high level authority in all departments.

Wherever possible, the more than 40 branch and service offices operated by the two companies throughout the U.S. and Canada will be staffed by personnel from each company operating as "teams" in the underwriting, solicitation and general development of all lines which both companies write.

The "Team" Concept

Development of the plan followed acquisition of American Surety by Transamerica earlier this year. Since both it and Pacific National Fire write similar lines of fire and casualty, the "team" concept was conceived as an effective means for attaining maximum operational economies, as well as taking advantage of the potential represented by the experience and ability of personnel from both companies working cooperatively in the field.

Transamerica is also prominent in the life insurance business with its wholly-owned subsidiary, Occidental Life of California, which, on the basis of life in force, ranks 11th largest of the more than 1,400 life insurance companies in the U.S. and Canada.

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Interstate F.&C. Dividend Raised

The dividend of Interstate Fire & Casualty of Chicago has been increased from 17½ cents to 20 cents a share. It is payable semi-annually and the next payment will be Oct. 15 to stock of record Oct. 1. The 1960 dividend will total 37½ cents, a 50% increase over what was paid in 1959.

Surety Assn. Broadens Savings & Loan Bond

Surety Assn. of America has revised and broadened the savings and loan blanket bond, standard form No. 22, to meet the expanding requirements of savings and loan associations. The effect of the changes is an over-all extension of coverage. All riders for use with the form have been revised.

The basic bond has been changed from a loss sustained to a discovery basis and the format is now on a declarations page basis to allow all typing to be done on that page.

Instead of separate insuring clauses for collectors of rents and collectors of group deposits, this is now covered by an amendment to the definition of employe to include such collectors. The definition of employe, previously included as part of the fidelity insuring agreement, has been taken out of the agreement and inserted as one of the conditions and limitations of the bond.

A new clause insuring audit expense has been added for an additional premium based upon assets of the association. With this new coverage, audit expense is otherwise excluded.

Riders have been included for conveyances, counterfeit currency, safe deposit legal liability, books and records, premises-customer, nuclear exclusion, and discovery including provision of rights after termination.

A travelers' check inclusion has been added since savings and loan associations may now issue such checks.

As the bond is now on a discovery basis, a provision on rights after termination is included in the conditions and limitations. This gives a receiver or other liquidator or state or federal official certain rights upon taking over insured.

If insured or its receiver or other liquidator or state or federal officials, upon termination of the bond, obtains an additional 12 months discovery and insured or its successors obtains other insurance, the intent is clarified that the additional period of time shall terminate forthwith on the effective date of the other insurance.

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